




3 1761 11554273 0



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761115542730>

CAI
FN
-E16

Quarterly Economic Review

March 1988

Canada

Quarterly Economic Review

March 1988



The Quarterly Economic Review

© Minister of Supply and Services Canada 1988

Available in Canada through

Associated Bookstores
and other booksellers

or by mail from

Canadian Government Publishing Centre
Supply and Services Canada
Ottawa, Canada K1A 0S9
(819) 997-2560

	Canada	Other Countries
3 regular issues – single copy	\$ 4.00	\$ 4.80
1 special issue – single copy	\$10.00	\$12.00
Annual subscription – 4 issues	\$20.00	\$24.00

Price subject to change without notice

Cette publication est également offerte en français

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, the Organization for Economic Cooperation and Development (OECD) and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is March 11, 1988.

Comments or questions should be directed to Michael Kennedy (613-996-0336), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

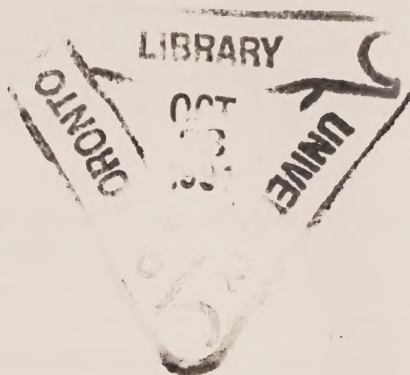


Table of Contents

1. The Economy in Brief	1
Real GDP again advanced very strongly in the fourth quarter, rising 6.3% at annual rates. For 1987 as a whole, output growth averaged 3.9%. Growth was domestically based, with final domestic demand outpacing real GDP growth throughout the year.	
2. Personal Sector	5
Consumer expenditure continued to rise strongly in the fourth quarter of 1987, showing no perceptible ill effects of the stock market downturn. The savings rate increased slightly during the quarter.	
3. Housing Sector	9
Residential investment declined moderately after double-digit growth in the previous five quarters. Housing starts were lower, as a significant part of the previous pent-up demand for new housing has been satisfied in some areas of the country.	
4. Business Non-Residential Investment	13
Business investment in real terms was the most buoyant component of final domestic demand in the fourth quarter, increasing 30%. For the year as a whole, business investment was up 9.2%, and it is expected to grow even more rapidly in 1988 according to the Private and Public Investment Intentions (PPI) Survey just released.	
5. Business Inventories	17
Business non-farm inventory investment increased \$4.5 billion in the fourth quarter, and the inventory-to-sales ratio was at its trend level.	
6. Government Sector	19
The federal government deficit on a Canadian Income and Expenditure Accounts (CIEA) basis was \$23.3 billion in 1987, down from \$24.8 billion in 1986 and \$32.0 billion in 1985.	
7. Foreign Trade	21
The buoyancy of final domestic demand, particularly business investment spending, resulted in a significant decline in the merchandise trade surplus as imports surged. The terms of trade improved but, overall, the current account deficit reached \$14.0 billion.	
8. The Labour Market	23
Employment surged by 486,000 jobs during 1987. The unemployment rate decreased from 9.7% in January 1987 to 8.1% in December. In the first two months of 1988, an additional 95,000 jobs were created and the unemployment rate dropped to 7.8%.	
9. Price and Wage Sector	27
Consumer price inflation decreased in the fourth quarter and for the year as a whole averaged 4.4%, up slightly from the average of the previous three years. By January, the CPI inflation rate was 4.1% (year over year). Unit labour cost increases remained moderate throughout last year, in part as a result of strong productivity gains.	

10. Financial Sector	31
----------------------------	----

The Canadian dollar gained steadily against the U.S. dollar in 1987 and in the first two months of this year, topping U.S. \$0.79 for the first time in four years in February. Since the end of 1986, the Canadian dollar has appreciated 8.8% against the U.S. dollar and is up 5.2% on a trade-weighted basis.

Special Report

11. Investment Spending in the Current Expansion	37
--------------------------------------------------------	----

This special report presents a discussion of the conditions underlying the weakness of investment spending prior to 1987 and the strength of the current investment boom. It describes the investment climate that led to over-investment prior to the 1981-1982 recession and how businesses have improved their balance sheets in the years following the recession due to the improving economic fundamentals. The report shows that Canadian corporations are now less sensitive to interest rate and demand fluctuations than at this point in previous business cycles.

1. The Economy in Brief

Highlights of the Fourth Quarter

- *Real gross domestic product (GDP) rose at an annual rate of 6.3% in the fourth quarter. Final domestic demand expanded by over 7%, outpacing real GDP for the sixth consecutive quarter. For 1987 as a whole, real output grew by 3.9% – substantially faster than was anticipated by most forecasters last year.*
- *Business non-residential investment spending in real terms was the most buoyant component of final domestic demand during the quarter, increasing by 30%. For the year, business investment rose 9.2% and is expected to grow even more rapidly in 1988, according to the Private and Public Investment Intentions (PPI) Survey just released.*
- *Consumer price inflation slowed throughout the second half of 1987. Inflation in the fourth quarter was lower in Canada than in the United States. Labour cost increases remained moderate in 1987.*
- *Employment surged 4.2%, or by 486,000 jobs, in 1987 and the unemployment rate declined 1.6 percentage points during the year to 8.1%. Another 95,000 jobs were created in January and February and the unemployment rate fell to 7.8%.*
- *The Canadian dollar has gained steadily against the U.S. dollar over the last year, reaching above U.S. \$0.79 in February. On a trade-weighted basis, the dollar has also appreciated, although less so. By early March, the dollar had moved above U.S. \$0.795.*

Summary

The Canadian economy performed very well in 1987. Growth in real output (GDP) was 6.3% at annual rates in the fourth quarter, bringing real GDP to a level 5.7% higher than a year earlier. On average for the year, real GDP expanded by 3.9%. The strength in 1987 was clearly reflected in labour markets as employment posted another sharp increase. The unemployment rate dropped from 9.7% at the beginning of 1987 to 8.1% by year-end.

The strength of the Canadian economy in 1987 was domestically based, and this trend continued in the fourth quarter (Chart 1.1). Neither consumption nor investment showed any evidence of a negative effect from the October stock market decline. Consumer spending was up sharply in the fourth quarter, and real business non-residential investment soared 30%.

Over the last four quarters, real business investment has risen 19%. According to the March 1988 PPI survey by Statistics Canada,

Chart 1.1

Real Gross Domestic Product and Final Domestic Demand

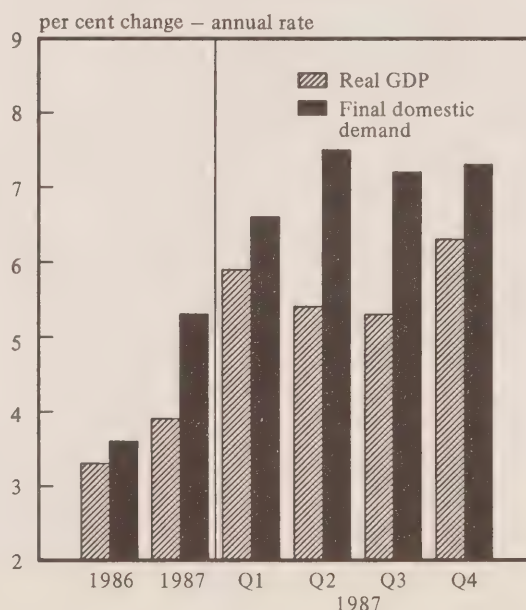


Chart 1.2

Nominal Business Non-Residential Investment Intentions (March PPI)

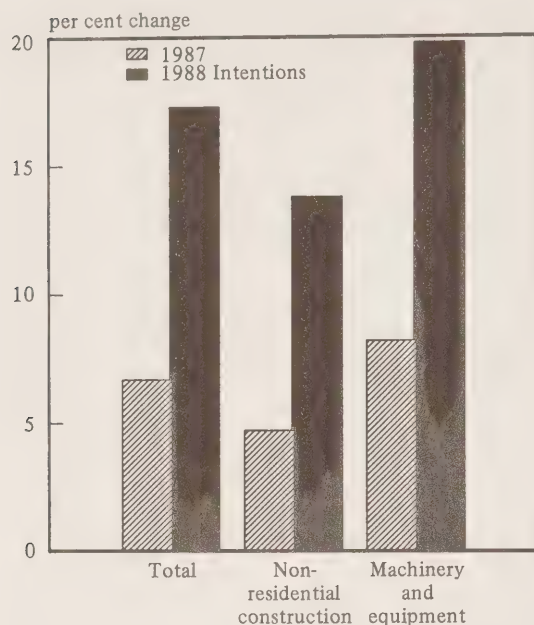
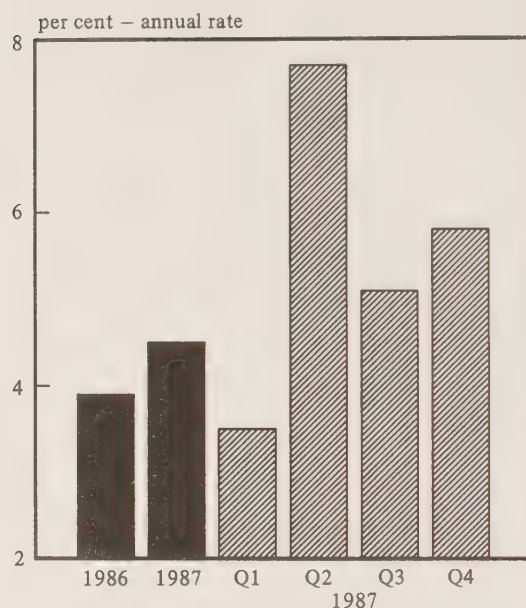


Chart 1.3

Change in Real Consumer Expenditure



Main Economic Indicators

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1986	1987	1986		1987			
			Q3	Q4	Q1	Q2	Q3	Q4
Real gross domestic product	3.3	3.9	0.4	0.0	5.9	5.4	5.3	6.3
Final domestic demand	3.6	5.3	4.7	1.4	6.6	7.5	7.2	7.3
Consumption	3.9	4.5	7.1	0.3	3.5	7.7	5.1	5.8
Residential construction	14.9	14.9	13.6	12.3	23.1	17.9	15.6	-4.5
Business fixed investment	2.2	9.2	-3.1	3.3	13.8	10.7	22.0	30.0
Non-residential construction	-8.2	1.6	-22.0	-1.2	10.5	9.4	12.8	30.4
Machinery and equipment	11.5	14.8	13.2	6.5	16.0	11.6	28.3	29.7
Business inventory investment (\$b,a.r.)	3.6	1.9	3.1	1.3	1.1	0.2	1.1	5.0
Non-farm (\$b,a.r.)	1.7	1.8	0.9	0.1	0.8	-0.0	1.0	5.5
Trade balance (\$b,a.r.)	16.6	13.6	16.2	16.4	17.2	16.1	13.1	8.0
Current account balance (\$b, current, a.r.)	-9.3	-9.6	-8.4	-11.7	-6.4	-7.8	-10.3	-14.0
Incomes								
Real personal disposable income	1.1	2.1	-4.1	2.7	3.3	3.0	1.5	8.1
Profits before taxes	-4.8	25.3	5.9	38.0	26.7	35.8	20.2	22.7
Costs and prices (%Y/Y)								
GDP price deflator	3.0	4.6	2.5	3.2	4.2	4.8	4.7	4.6
Consumer price index	4.1	4.4	4.2	4.3	4.0	4.6	4.6	4.2
CPI - energy	-7.1	2.6	-9.7	-13.0	-9.8	4.1	8.1	9.9
CPI - excluding food and energy	5.3	4.6	5.4	5.6	5.1	4.4	4.4	4.3
Unit labour costs	3.0	2.8	2.3	3.7	3.1	3.4	2.8	1.7
Labour market								
Unemployment rate	9.6	8.9	9.6	9.5	9.6	9.1	8.7	8.2
Employment	2.9	2.8	-0.3	2.2	3.3	4.5	2.9	4.9
Financial developments								
Exchange rate - closing (U.S. cents)	72.44	76.96	72.07	72.44	76.60	75.08	76.26	76.96
Prime interest rate (end of period)	9.75	9.75	9.75	9.75	8.75	9.50	10.00	9.75

Sources: Statistics Canada and the Bank of Canada.

business investment spending in real terms is expected to register a double-digit increase on average in 1988. Residential investment decreased during the quarter as housing starts were down from the very strong pace of the previous two quarters. A significant part of the previous pent-up demand that has driven housing starts to record levels has now been satisfied in some parts of the country.

The continued strength of final domestic demand, particularly business investment spending, was reflected in a significant decrease in the merchandise trade surplus as growth in imports outstripped strongly increasing exports. While a strong terms of trade improvement dampened the impact on the current account, the current account deficit, nevertheless, increased to a record level in the fourth quarter.

Business non-farm inventory investment increased \$4.5 billion in the final quarter of last year, but the inventory-to-sales ratio remained at its trend level. Farm inventory investment, on the other hand, fell \$0.7 billion to \$0.5 billion.

In 1987, consumer prices increased 4.4%, a rate of growth only slightly higher than in the previous three years. After rising sharply to 4.8% in June, consumer price increases moderated throughout the second half of last year to 4.1% in January of 1988. Moderate labour cost increases, slower energy and food price increases and the strength of the Canadian dollar all served to contain and lessen inflationary pressures.

Robust Business Investment

Business non-residential investment spending in real terms continued to rise at double-digit rates in the fourth quarter, with both non-residential construction and machinery and equipment investment climbing 30%. The current rapid growth in investment is being fueled by a sharp turnaround in corporate profits. Indeed, the share of profits in total GDP rose to its highest level since before the recession. Investment growth is expected to increase in 1988, according

to the March PPI Survey by Statistics Canada (Chart 1.2). Nominal investment expenditures are expected to grow 17.3% in 1988, after a 6.7% increase in 1987, with a strong pick-up in growth in both the resource and non-resource sectors. The broadening of investment growth among sectors and regions is expected to continue in 1988. Indeed, for the first time since 1981, all major sectors and regions are expected to increase nominal investment spending in 1988.

Consumption Remains Strong

Real consumer expenditure growth continued to contribute very strongly to growth in final domestic demand during the fourth quarter, dispelling fears that the stock market decline would lead to a severe retrenchment of spending (Chart 1.3). Durable goods spending growth slowed somewhat from an over 10% increase in the previous quarter, but there was a strong pick-up in non-durable goods spending. Nevertheless, growth of personal disposable income exceeded consumer expenditure growth for the first time in four quarters, leading to a rise in the personal savings rate to 8.9% in the fourth quarter from 8.5% in the previous quarter.

Deterioration of the Current Account

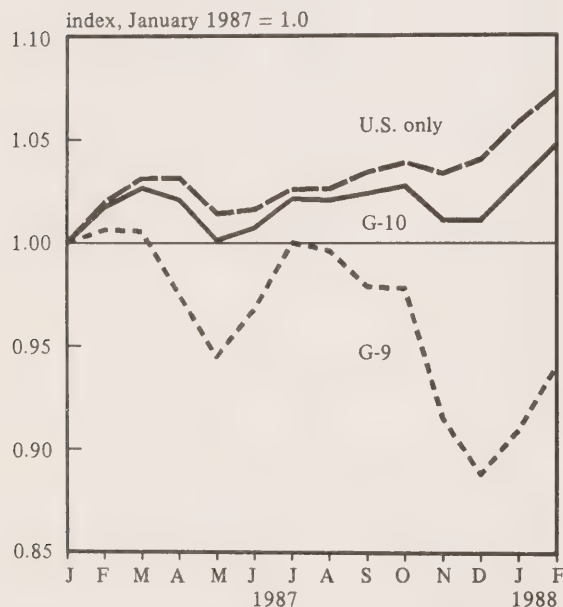
The substantial increase in final domestic demand in 1987, particularly the boom in business investment spending, resulted in a further deterioration of the current account balance. The merchandise trade surplus in real terms decreased \$1.5 billion to \$17.2 billion as a result of very strong growth of imports of finished products, especially motor vehicles, and machinery and equipment. However, Canada's terms of trade improved by 2% during the year, the first yearly increase since 1982. Even though the rise in the terms of trade dampened the effect of the lower trade volume, the current account deficit still averaged \$9.6 billion, slightly larger than in 1986. While the trade balance with the United States worsened in 1987, the deficits with the European Economic Community and Japan improved markedly.

Dollar Strengthens

The Canadian dollar appreciated against the U.S. dollar throughout 1987, closing the year at U.S. \$0.77, a gain of 4 1/2 cents U.S. The dollar rose a further 2 cents in January and February, bringing the Canadian dollar to over U.S. \$0.79 and, by early March, the dollar was consistently above U.S. \$0.795. This strong increase in the dollar reflects increased confidence in Canada's economic prospects as well as attractive yields on investment. Since the beginning of 1987, the Canadian dollar has appreciated 8.8% against the U.S. dollar and 5.2% against a trade-weighted (G-10) currency basket (Chart 1.4).

Chart 1.4

Canadian Dollar Exchange Rate Against the U.S. and Overseas Currencies



Inflation Continues to Decline

The consumer price index (CPI) advanced 4.1% on a year-over-year basis in January, down slightly from 4.2% in December and well below the 1987 peak of 4.8% posted in June. For the year as a whole, CPI inflation averaged 4.4%. Unit labour cost increases remained moderate throughout 1987, in part as a result of healthy (1.1%) productivity gains. Year-over-year increases in unit labour costs have fallen sharply in the past three quarters to a three-year low of 1.7%. Increased costs of raw materials, especially non-ferrous metals and wood, put some upward pressures on producer prices

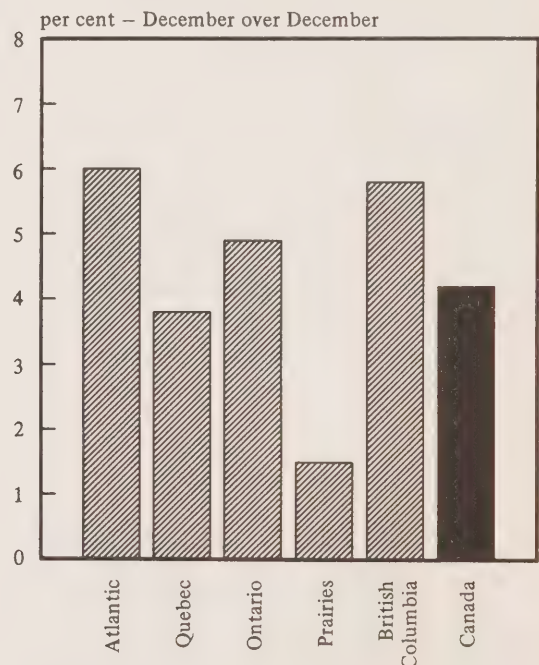
during the year. At the same time, the appreciation of the Canadian dollar against the U.S. dollar has contained inflationary pressures.

Further Decline in the Unemployment Rate

Employment increased by a substantial 486,000 jobs in 1987, the best year of job creation in the 1980s. In spite of a marked increase in labour force growth during the year – the participation rate reached record levels – the unemployment rate dropped 1.6 percentage points over the year to 8.1% in December. Employment gains in 1987 were spread more evenly among industries and regions compared to 1986, with the largest increases in British Columbia and the Atlantic region (Chart 1.5). In the first two months of 1988, an additional 95,000 jobs were created and the unemployment rate fell to 7.8% in February.

Chart 1.5

Employment Growth in 1987



Stock Prices Firming

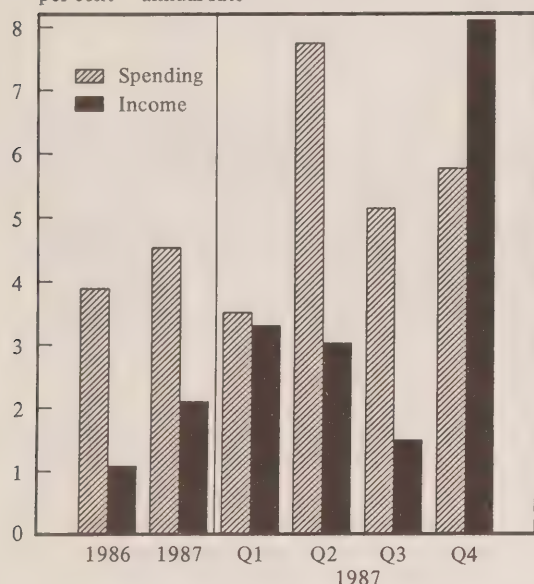
In the four months following the stock market downturn, stock prices have firmed in both Canada and the United States. The firming of stock prices reflects lower interest rates, renewed institutional purchases and dwindling concerns in the market about a possible recession.

2. Personal Sector

Chart 2.1

Change in Real Consumer Spending and Real Disposable Income

per cent — annual rate



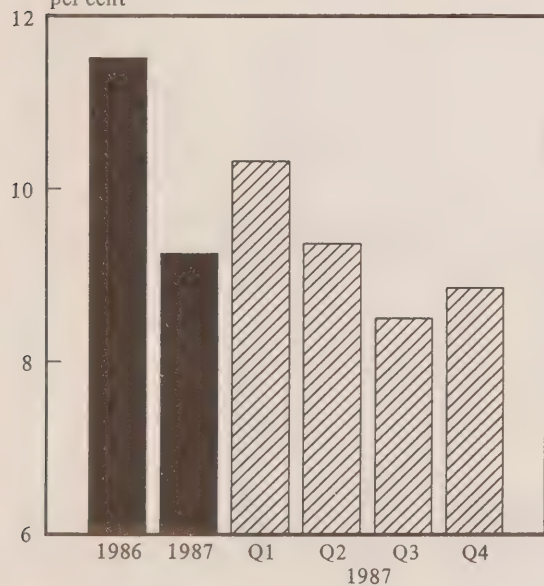
In 1987, real consumer spending increased by 4.5% while real disposable income was up 2.1%. Spending growth exceeded disposable income growth for the third consecutive year and the savings rate declined sharply.

Growth of consumer spending remained strong in the fourth quarter. A factor in this continued strength was a substantial increase in disposable income, which exceeded the growth in spending for the first time in four quarters.

Chart 2.2

The Personal Savings Rate

per cent

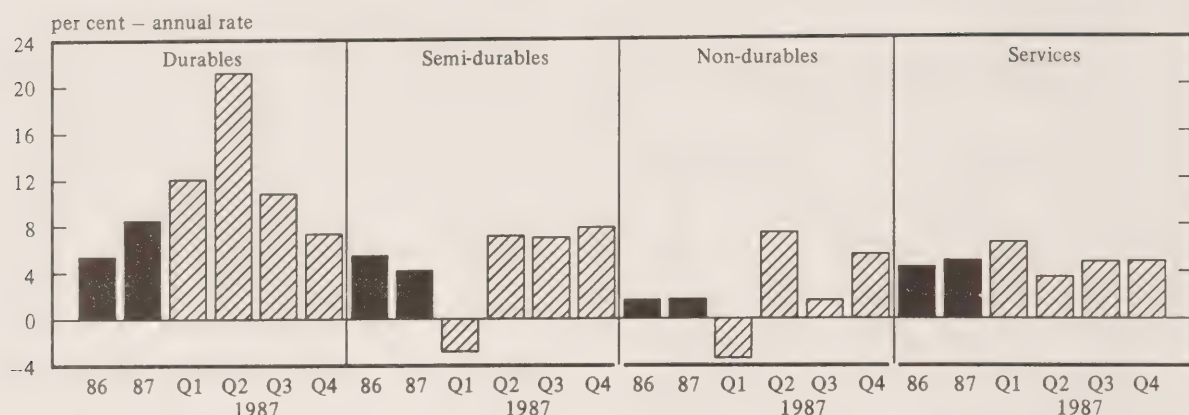


The savings rate ended the year at 8.9%, up slightly from the third quarter low but 1.4 percentage points below the rate in the first quarter. For 1987, the savings rate declined to 9.3%, 2.2 percentage points below the 1986 rate and about half its peak of 17.8% in 1982.

Consumers have exhibited a high degree of confidence by financing increased spending through a reduction of their rate of savings. This confidence is reflected in the continuing high levels of the Conference Board's Index of Consumer Attitudes.

Chart 2.3

Change in Real Consumer Spending by Category



In the fourth quarter, growth of real spending in all major goods categories was strong, led by durable and semi-durable goods (Chart 2.3). For 1987 as a whole, spending on durables grew the fastest.

Spending growth on durables dipped below 10% for the first time in four quarters. While growth of spending on all major components of durables slowed from their third quarter rates, total durable goods spending remained robust

(Chart 2.4). The decline in spending growth on household furnishings was particularly large, reflecting the slowdown in housing construction, while the decline in spending growth on other durables (watches, jewellery, sporting and recreation equipment) was moderate. For 1987 as a whole, spending on all categories of durables advanced strongly, especially household furnishings, reflecting the buoyant housing market during most of the year.

Chart 2.4

Change in Real Durables Spending by Category

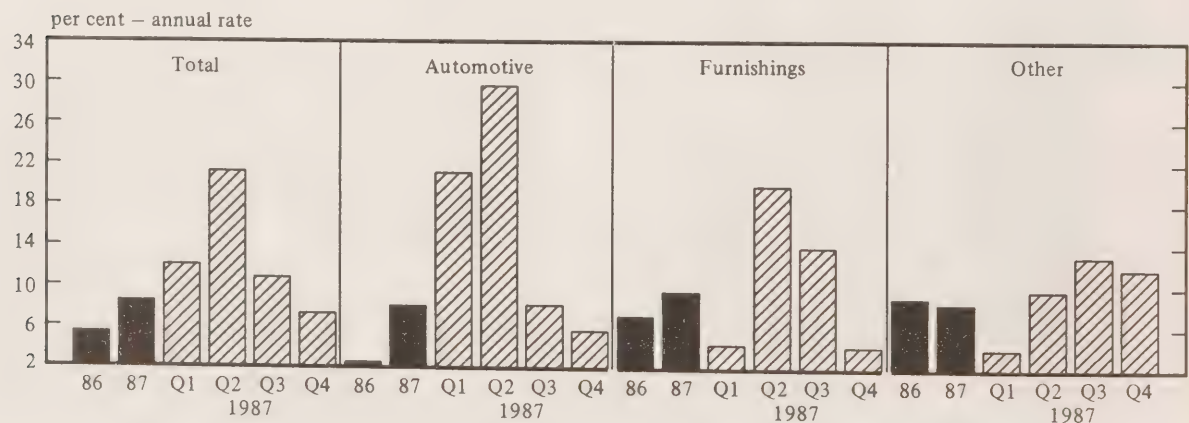


Chart 2.5

Change in Personal Income by Category

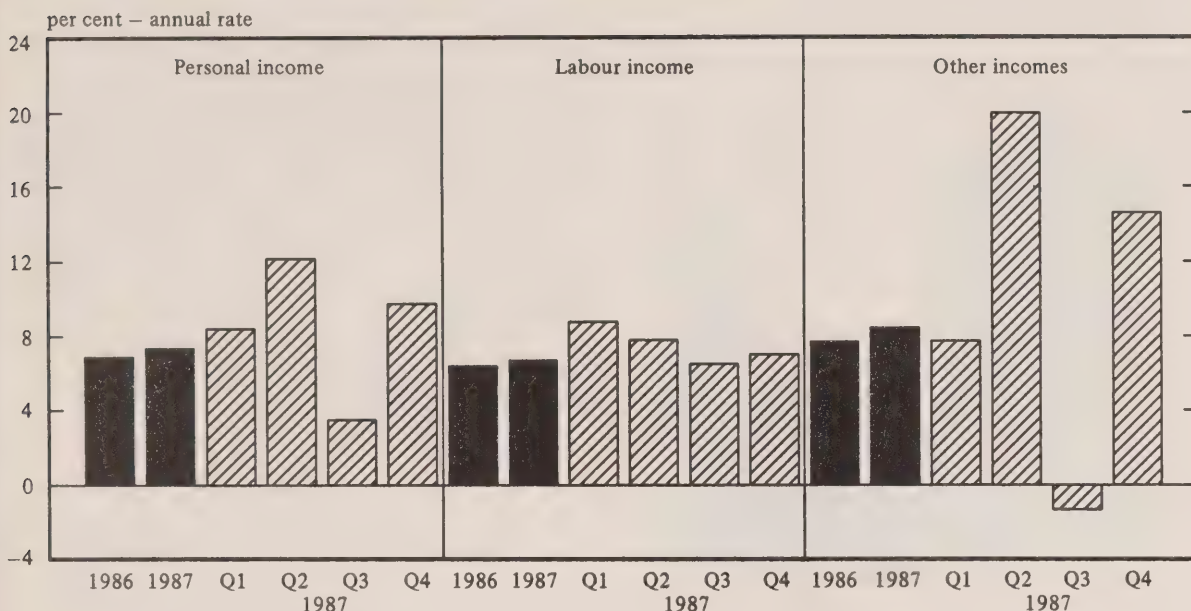
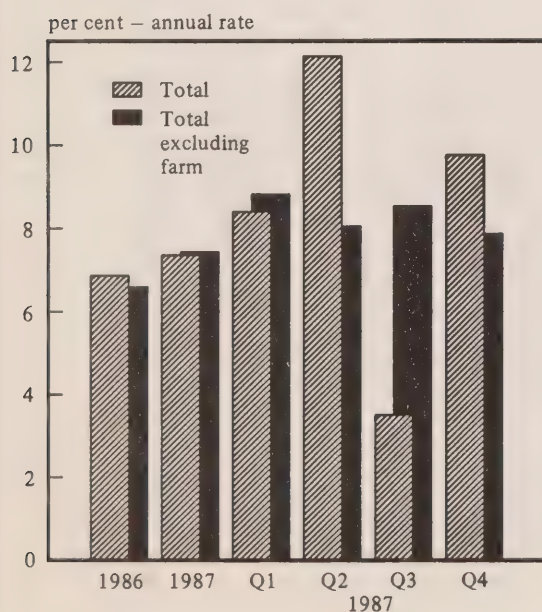


Chart 2.6

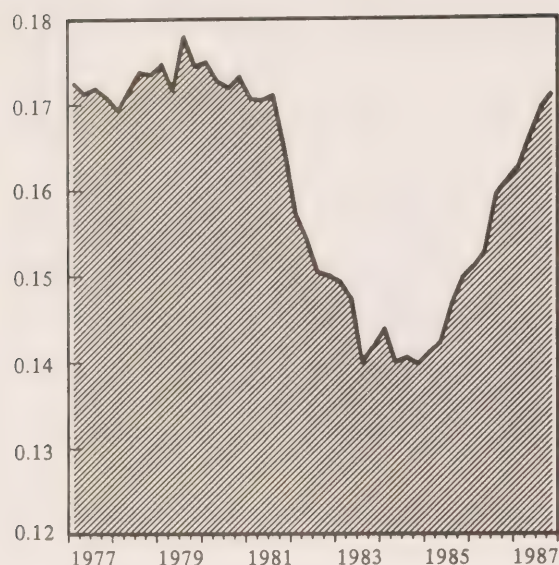
Change in Personal Income Excluding Farm Income



Personal income growth rebounded in the fourth quarter, reflecting continued strong labour income growth and a very sharp pick-up in other incomes (Chart 2.5). In particular, net farm income, investment income, and net unincorporated business income all grew very strongly. The volatile nature of the “other incomes” category was heavily influenced by movements in net farm income (Chart 2.6). In the fourth quarter, farm income was enhanced by payments under the Western Grain Stabilization Program.

Chart 2.7

**Ratio of Consumer Debt to
Personal Disposable Income**

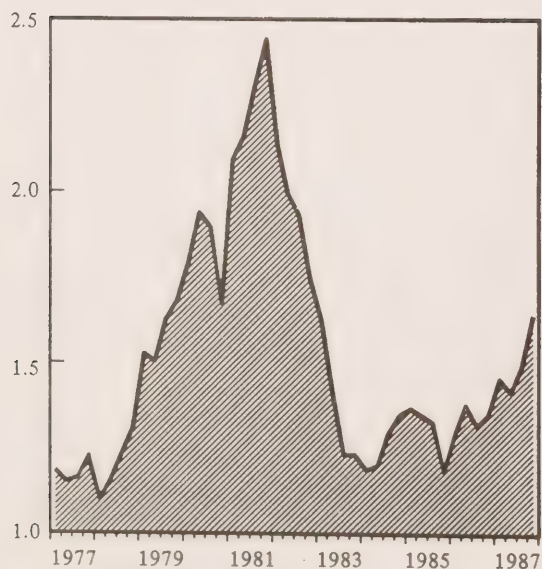


Using Bank of Canada monthly consumer credit outstanding data.

Since the recovery began, growth in consumer spending, especially on durables, has resulted in a rising ratio of consumer credit outstanding to personal disposable income. With substantial employment gains encouraging continued strong growth in spending, this ratio increased further in 1987.

Chart 2.8

**Ratio of Interest
on Consumer Debt to
Personal Disposable Income**



With interest rates substantially below those in the early 1980s, the ratio of interest payments on consumer debt relative to disposable income has not risen substantially in the last few years despite the increase in debt levels.

3. Housing Sector

Chart 3.1

Change in Real Residential Investment by Category

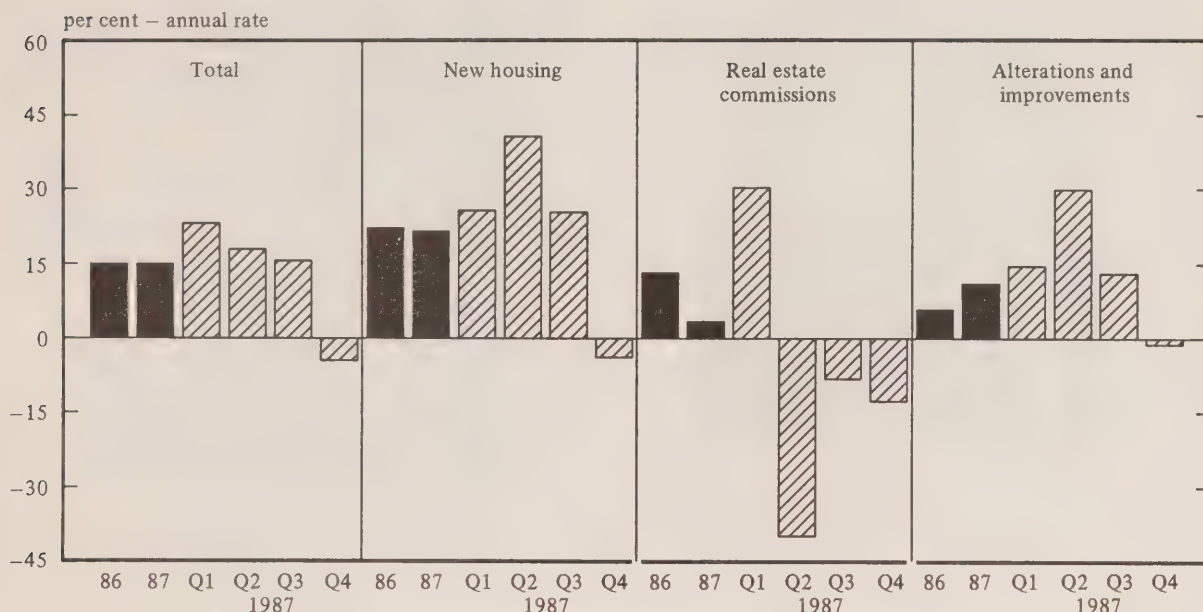
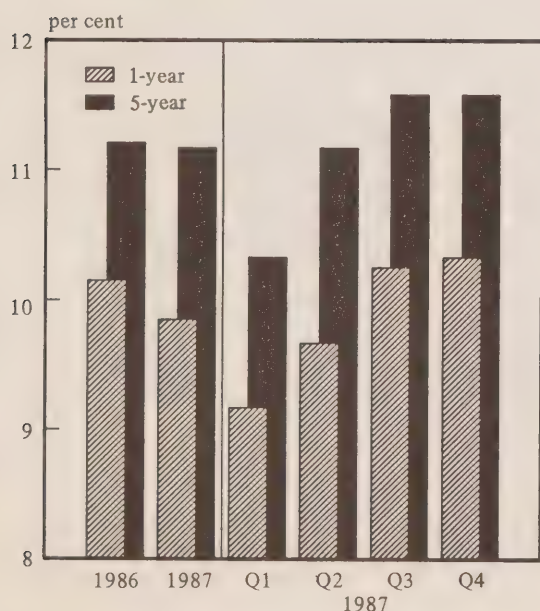


Chart 3.2

Mortgage Rates

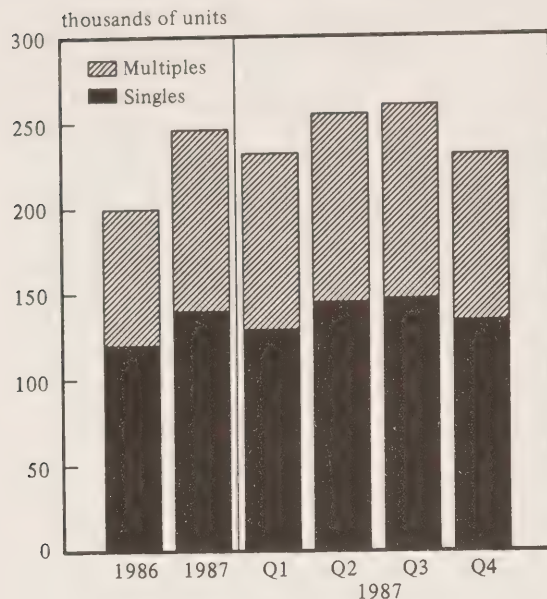


After five quarters of growth in excess of 10%, total residential investment declined in the fourth quarter (Chart 3.1). All major categories of residential investment were down. The decrease in new housing investment followed four quarters of growth in excess of 20%. Alterations and improvements had also been buoyant in the previous three quarters. For 1987 as a whole, total residential investment increased at about the same pace as in 1986, as did new house investment.

During 1987, one-year mortgage rates averaged 9.85%, down 0.3 points from 1986, while five-year rates remained at roughly the same level of 11.2% (Chart 3.2). Recently, one-year rates were at 9.75% and five-year rates at 11%.

Chart 3.3

Total Housing Starts in Canada



Housing starts decreased in the fourth quarter, the first decline in seven quarters. However, starts remained above 200,000 units (annual rate) for the sixth consecutive quarter. Starts of single units were at a record level while multiple starts were at their highest level since 1978.

In 1987, housing starts totalled nearly 246,000 units, the highest level since 1976 and a 23.1% increase over the level in 1986. Starts increased in every region except the Atlantic.

Chart 3.4

Change in Housing Starts in 1987 by Region

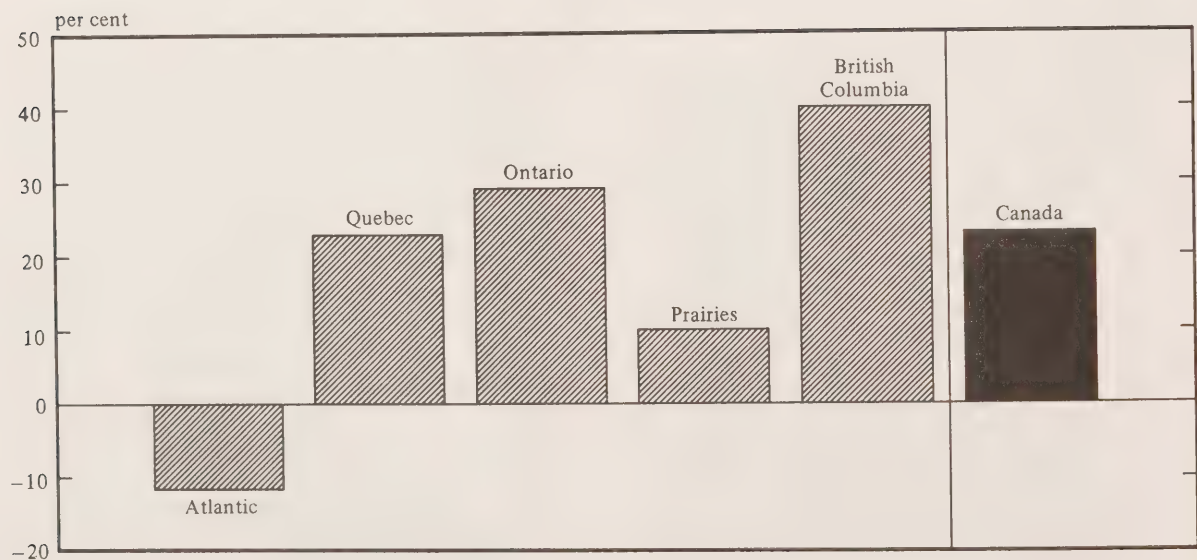
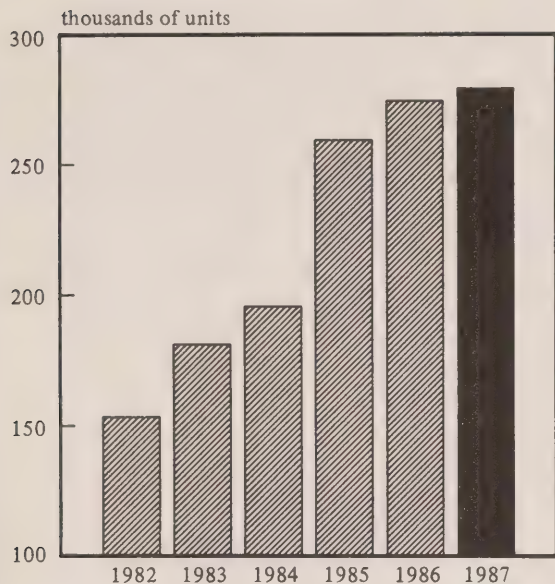


Chart 3.5

House Resales in Canada*

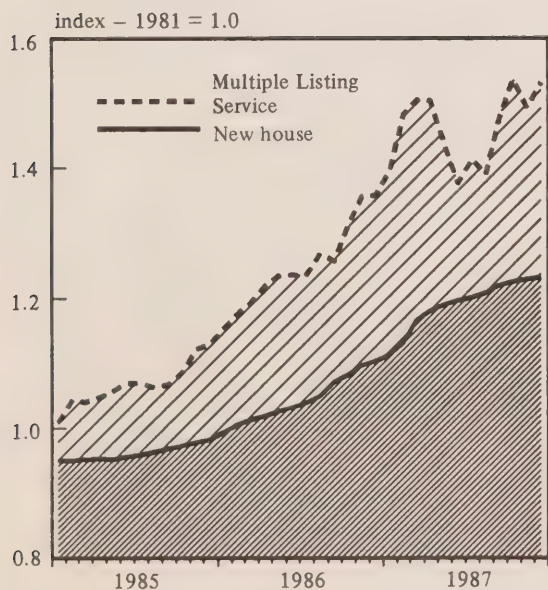


*Using Multiple Listing Service (MLS) data.

House resales continued to be strong during 1987, increasing for the fifth consecutive year. The record level of sales in 1987 was 1.7% above sales in 1986 (the previous peak) and about 80% above sales in the recession year of 1982.

Chart 3.6

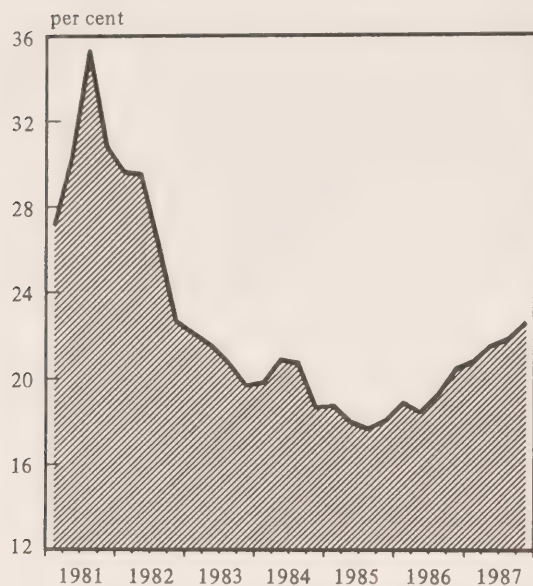
House Prices



Prices in the resale market, as measured by the Multiple Listing Service (MLS) price, were volatile during 1987. Prices in December were 12.8% above prices a year earlier. New house prices continued to rise throughout 1987, although the rate of increase has begun to moderate. Nonetheless, prices in December were 11.7% above prices a year earlier.

Chart 3.7

**Mortgage Payments on a Newly
Purchased Home as a Share of
Household Disposable Income***



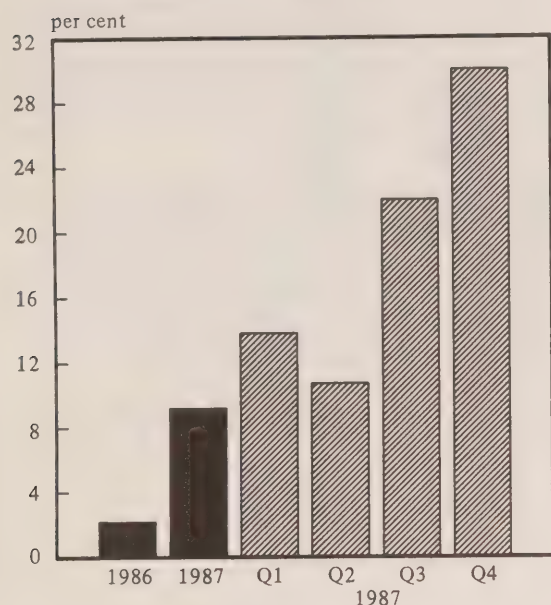
*Department of Finance estimates.

Housing affordability lessened slightly in the fourth quarter as house prices continued to rise and mortgage rates moved up very slightly on average. The share of mortgage payments in the average household budget remains well below previous peak levels and housing market activity has remained at a strong level.

4. Business Non-Residential Investment

Chart 4.1

Change in Real Business Non-Residential Investment



The boom in real business non-residential investment spending, which began in early 1987, continued through the fourth quarter, with a 30% increase in spending in real terms. This was the strongest quarterly growth in real investment in over eight years and left business investment in 1987 9.2% above its 1986 level.

The growth of non-residential construction matched the strong growth in machinery and equipment investment in the fourth quarter, expanding by 30%. This strong growth has brought non-residential construction to its highest level since the third quarter of 1985, immediately prior to the plunge in oil and gas prices. Machinery and equipment investment is 25% above its peak in the pre-recession investment boom.

Chart 4.2

Change in the Components of Real Business Non-Residential Investment

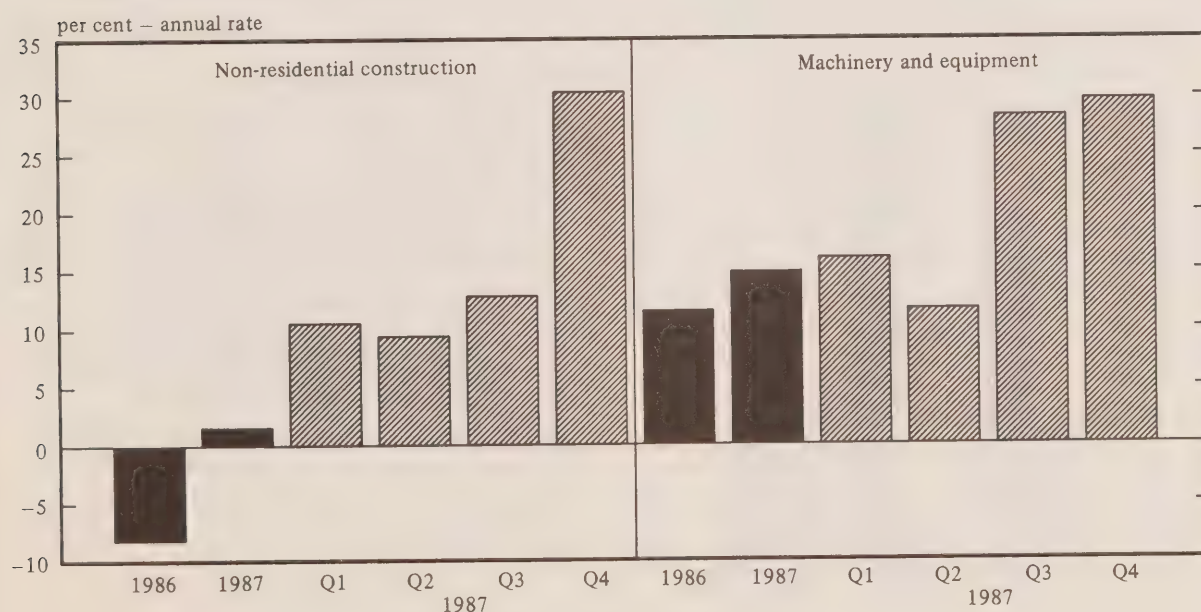
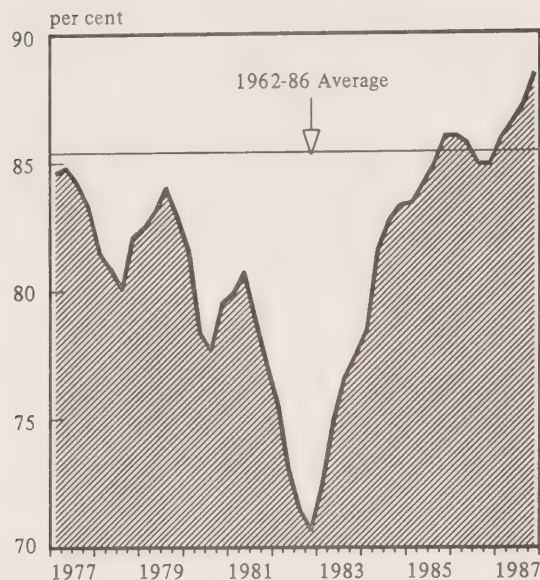


Chart 4.3

Goods Sector Capacity Utilization Rates

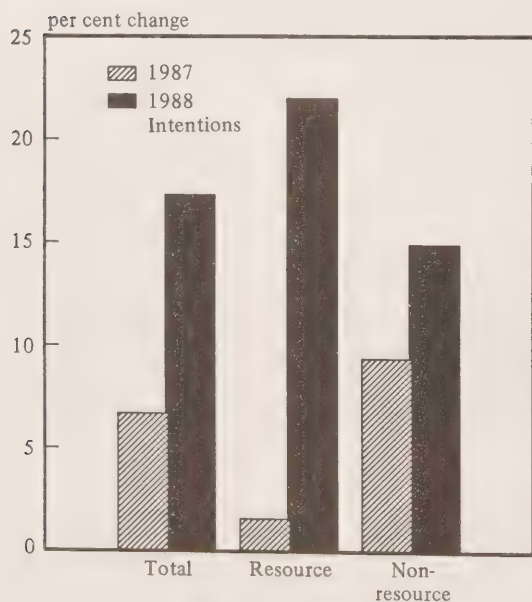


Underlying the turnaround in business non-residential investment has been a sharp rise in capacity utilization during 1987 to levels above the 1962-1986 average. In the fourth quarter, capacity utilization in the goods sector was 88.4% (Chart 4.3).

Also aiding the rise in investment has been a sharp upswing in profits. In the last five quarters, corporate profits before taxes have surged at an average annual rate of 28.5%, with about a third of the gain occurring in oil and gas and metal mines industries.

Chart 4.4

Nominal Business Non-Residential Investment Intentions (March PPI)



The pace of investment growth is expected to accelerate further in 1988. According to Statistics Canada's March 1988 Private and Public Investment Intentions (PPI) Survey, businesses expect to increase the growth of nominal investment expenditures from 6.7% in 1987 to 17.3% in 1988. The stronger investment growth is projected to be most evident in the resource-related industries, especially the oil and gas sector. Underlying the general buoyancy in the resource sector as a whole are the improvements in resource prices over 1986. Further strong growth is also expected in the non-resource sector for the fourth year in a row, reflecting continuing strong business conditions in the sector.

Chart 4.5

Nominal Business Non-Residential Investment Intentions by Sector

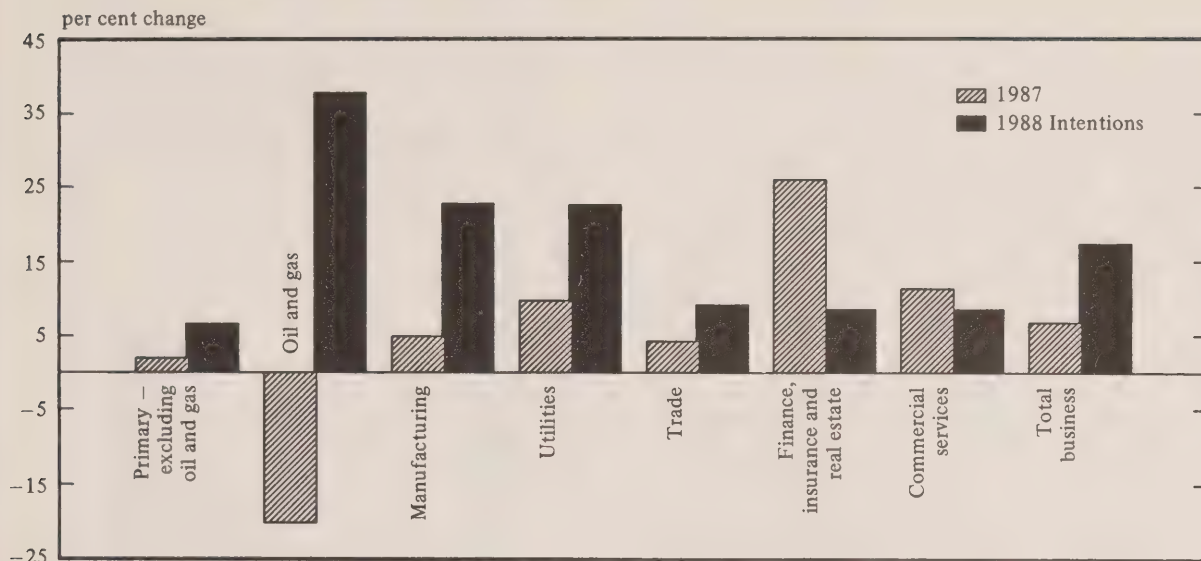
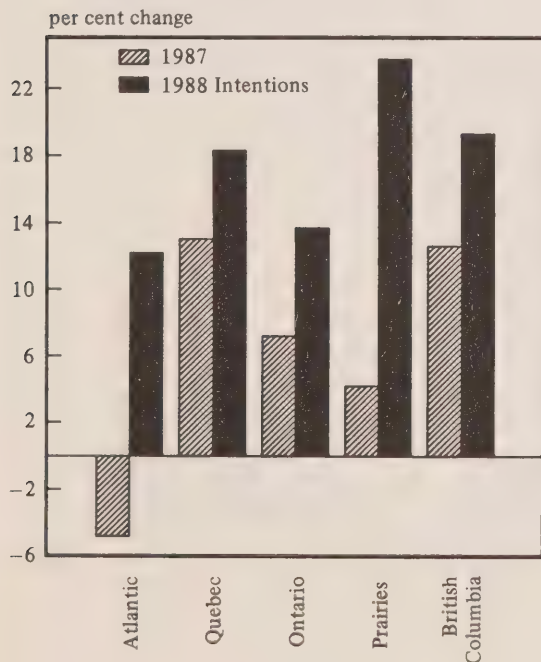


Chart 4.6

Nominal Business Non-Residential Investment Intentions by Region



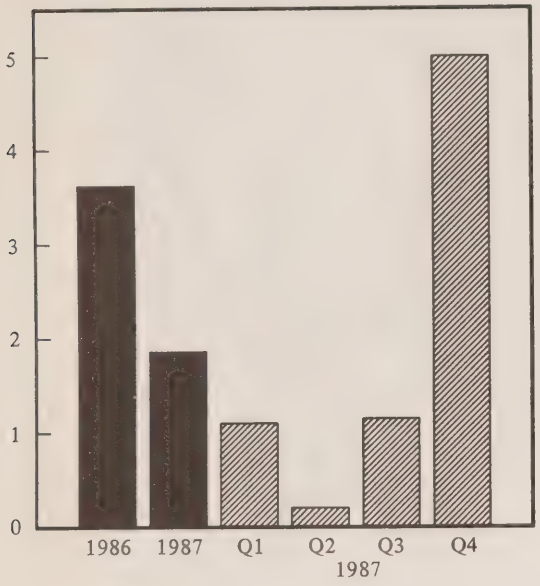
Capital expenditures are also expected to be more broadly based in 1988. For the first time since 1981, all major industrial sectors and regions are projected to raise nominal capital spending, with growth forecast to increase in excess of 12% in all regions. The quickest acceleration of investment growth is seen in the oil and gas sector where investment had dropped sharply in the previous two years. Similarly, the turnaround in investment growth is projected to be most marked in the Atlantic and Prairie regions where investment has been weak in recent years.

5. Business Inventories

Chart 5.1

Real Business Inventory Investment

billions of 1981 dollars – annual rate



Real inventory investment increased a substantial \$3.8 billion (in 1981 dollars) to a level of \$5.0 billion in the fourth quarter of 1987. This was the largest increase since the first quarter of 1986, contributing 59% of the total growth in output in the fourth quarter.

The entire upswing in business inventories occurred in the non-farm sector, as both manufacturing and trade inventory investment swung sharply from below-average levels to their highest levels in a year and a half. In manufacturing, most of the swing came from restocking of raw materials while, in trade, the bulk of the increased inventories was due to imports of U.S.-made autos and machinery and equipment.

Chart 5.2

Components of Real Business Inventory Investment

billions of 1981 dollars – annual rate

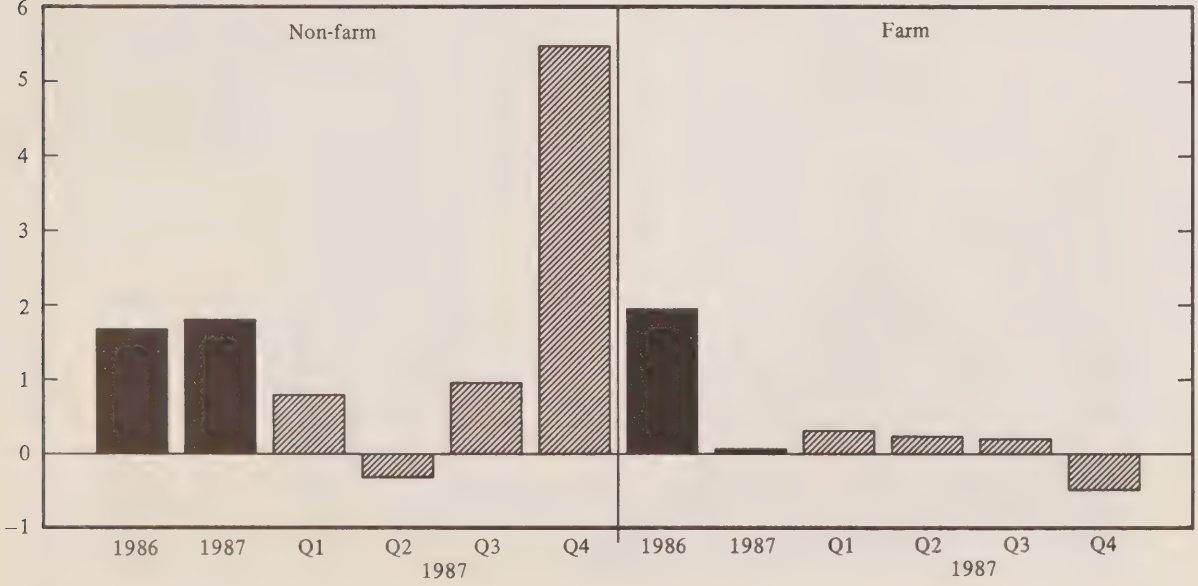
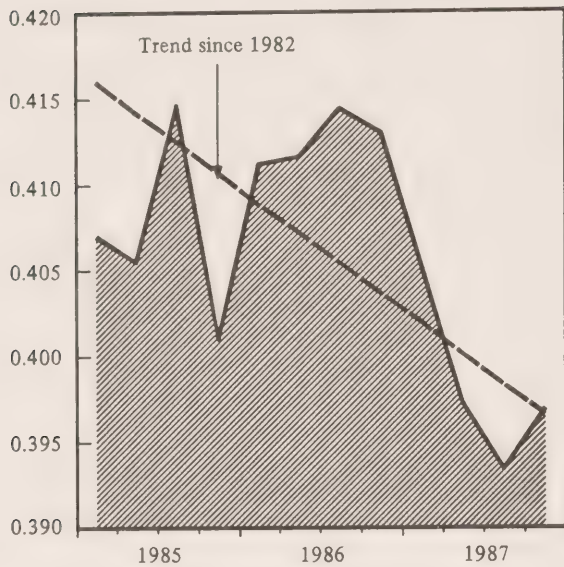


Chart 5.3

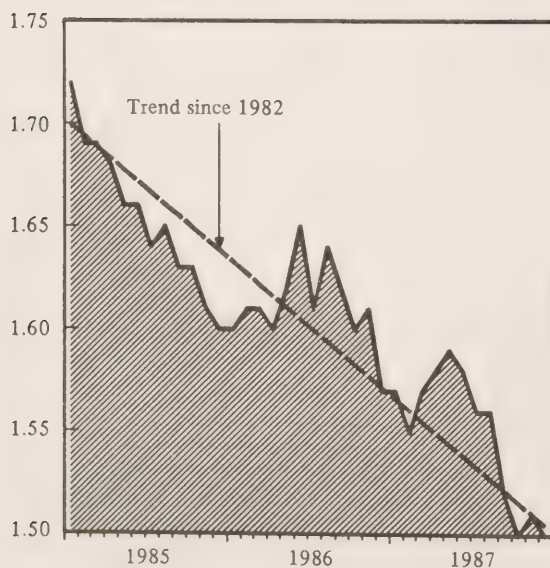
Business Inventory-to-Sales Ratio



The very strong inventory growth in the fourth quarter has returned the business inventory-to-sales ratio to its declining trend evident since the end of the recession. This would indicate that current levels of inventories are by no means excessive.

Chart 5.4

Manufacturing Inventory-to-Shipments Ratio



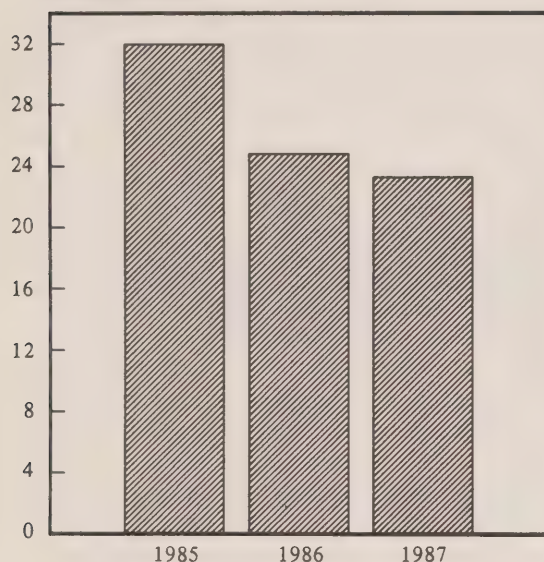
Even in manufacturing, where a sharp increase in inventory investment in the fourth quarter was responsible for over half the increase in inventory investment, the inventory-to-shipments ratio remained at its post-1982 trend level at the end of 1987.

6. Government Sector

Chart 6.1

Federal Deficit (CIEA Basis)

billions of dollars



On a Canadian Income and Expenditure Accounts (CIEA) basis, the federal deficit averaged \$23.3 billion in 1987, down from \$24.8 billion in 1986 and \$32.0 billion in 1985 (Chart 6.1). As a ratio to GDP, the deficit fell to 4.2% in 1987 from 4.9% in 1986 and 6.7% in 1985.

Federal revenues rose 9.1% in 1987, while expenditures advanced 5.8% (Chart 6.2). The increase in revenues reflected growth in the principal tax sources, in turn reflecting the strength of employment, profits, consumer spending and business investment. Spending on goods and services and transfers to persons rose roughly in line with inflation, while debt interest, transfers to other levels of government and "other" spending rose more rapidly. For the latter, growth reflected sharply increased payments to grain farmers.

Chart 6.2

Change in Federal Government Revenues and Expenditures in 1987 (CIEA Basis)

per cent – year over year

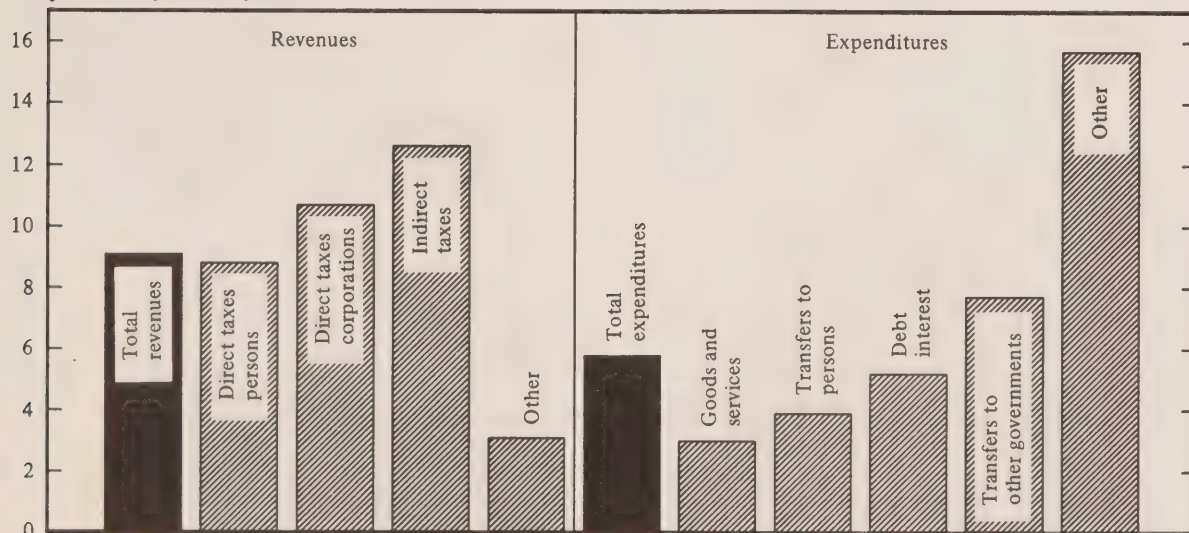
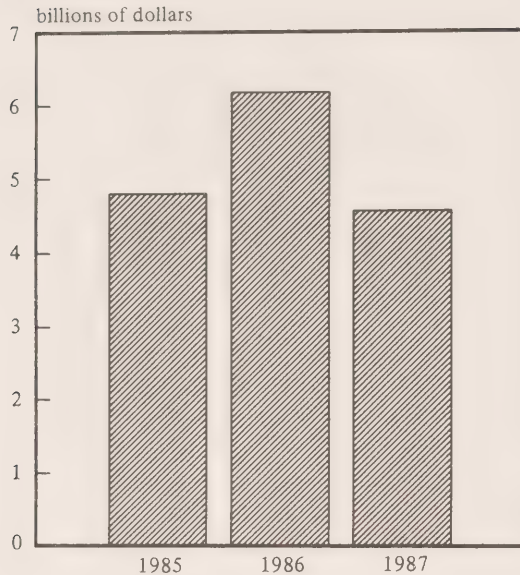


Chart 6.3

**Provincial-Local-Hospital
Sector Deficit
(CIEA Basis)**

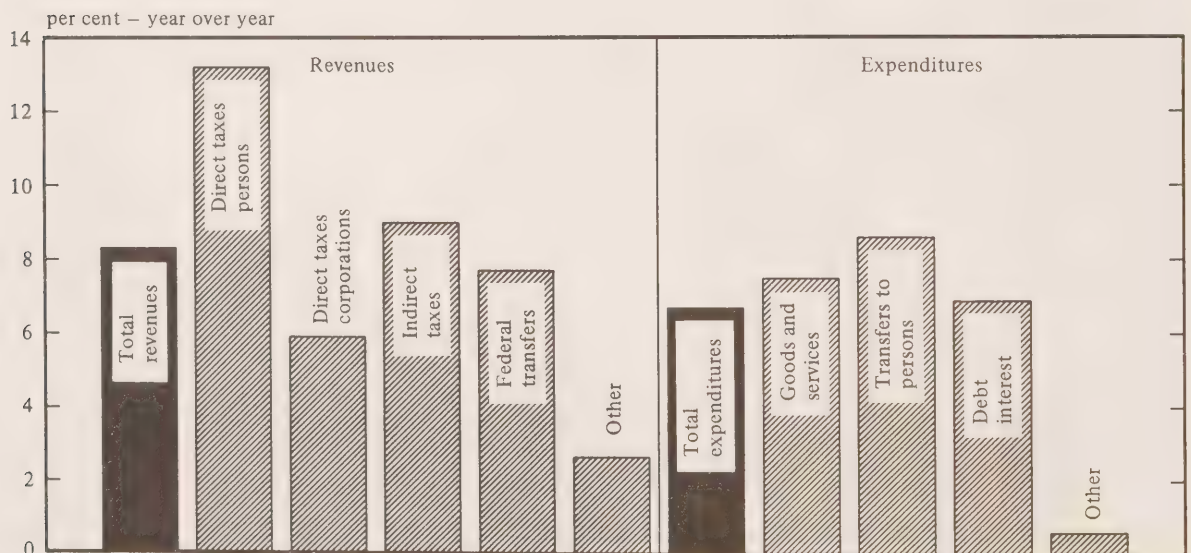


The deficit of the consolidated provincial-local-hospital (PLH) sector averaged \$4.6 billion in 1987, down from \$6.2 billion in 1986 (Chart 6.3). As a ratio to GDP, the deficit declined from 1.2% to 0.8%.

Revenues grew 8.3% in 1987 (Chart 6.4). Revenue growth was spread fairly evenly across own-source categories. Led by increased equalization receipts, a 7.7% increase in federal transfers also contributed strongly to revenue growth. The "other" revenue category was basically unchanged in 1987, reflecting declines in interest receipts and royalty income. Expenditures rose 6.7% and the growth was also fairly even across major expenditure components. The "other" category of spending rose only marginally, reflecting a decline in capital assistance and unchanged subsidies to business.

Chart 6.4

**Change in Provincial-Local-Hospital Sector
Revenues and Expenditures in 1987
(CIEA Basis)**

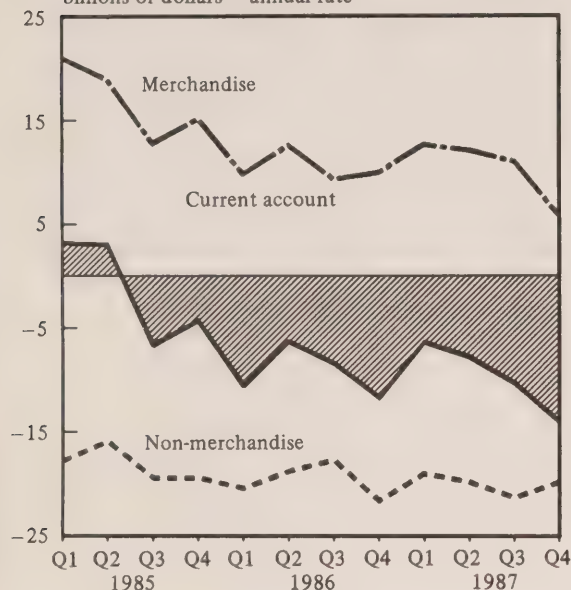


7. Foreign Trade

Chart 7.1

Current Account Balance

billions of dollars — annual rate



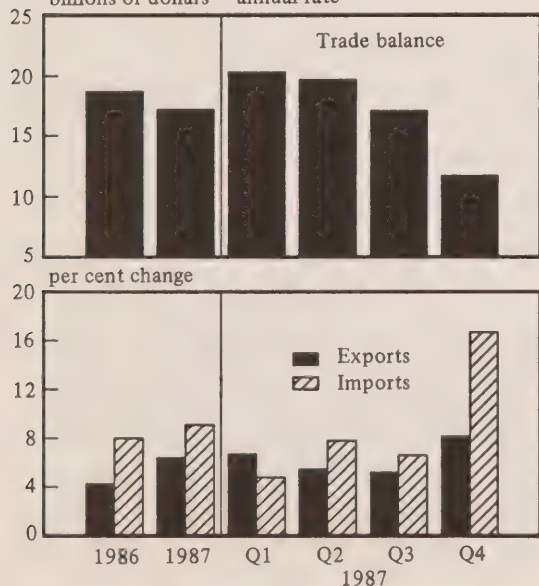
The current account deficit increased \$3.7 billion in the fourth quarter to a deficit of \$14.0 billion. This increase resulted from a marked reduction in the merchandise trade surplus which was almost cut in half to \$5.8 billion. This swing largely reflected increased imports of machinery and equipment as a result of the investment spending boom in Canada. The non-merchandise trade deficit improved slightly in the fourth quarter to \$19.8 billion.

For 1987 as a whole, the current account deficit averaged \$9.6 billion, up \$0.3 billion from 1986. The merchandise trade surplus remained roughly unchanged at \$10.3 billion.

Chart 7.2

Real Merchandise Trade

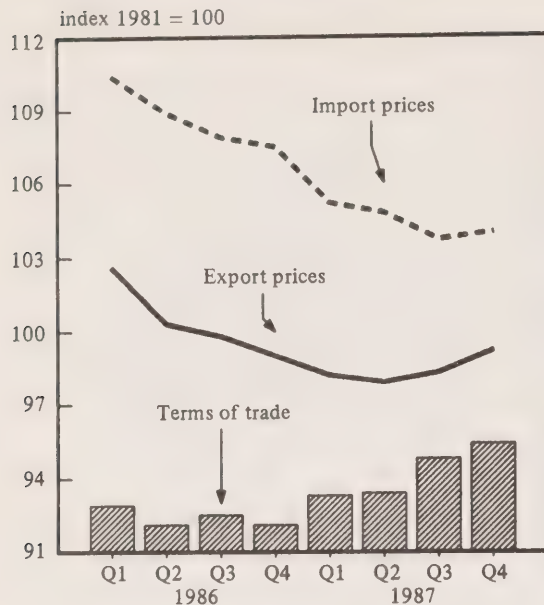
billions of dollars — annual rate



The real merchandise trade surplus decreased \$5.4 billion to \$11.7 billion in the fourth quarter, its lowest level since the end of 1981. Reflecting the strength of consumer and investment spending and the upswing in inventory investment, imports of finished products rose sharply, especially machinery and equipment, and automotive products. Exports rose at the strongest rate since the end of 1983, in response to strong motor vehicle demand in the United States and higher demand for raw and fabricated materials and wheat.

Chart 7.3

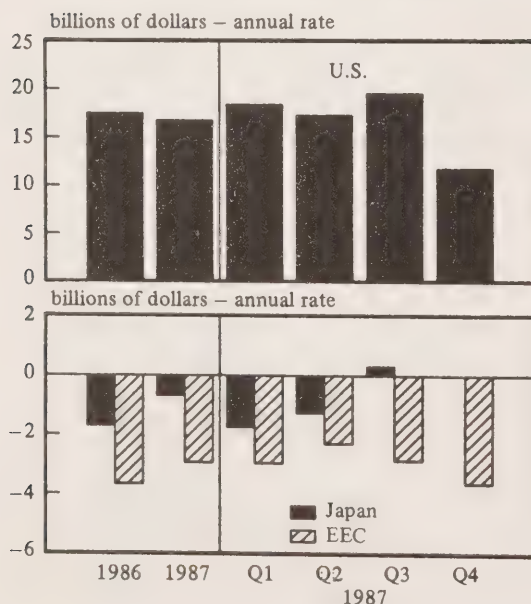
Merchandise Terms of Trade



The merchandise terms of trade increased in the last quarter of 1987, the fourth consecutive quarterly increase. Export prices continued to rise, reflecting higher prices for raw and fabricated materials. Import prices were up slightly, due to higher prices for food and finished products. On average in 1987, the terms of trade were up 1.9%, the first annual improvement since 1982. The increase in the terms of trade in 1987 also partly reflected the effects of the appreciation of the Canadian dollar against the U.S. dollar.

Chart 7.4

Merchandise Trade Balance with U.S. and Overseas Countries



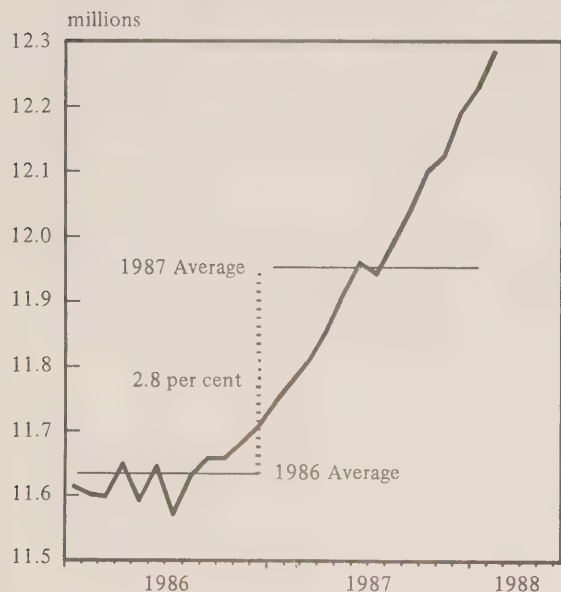
The nominal merchandise trade balance deteriorated notably with the United States in the fourth quarter while it improved with our other major trade partners. The trade surplus with the U.S. dropped \$7.8 billion to \$11.7 billion and the deficit with overseas countries decreased \$2.5 billion to \$6.0 billion.

The improvement in the balance with overseas countries reflects strong growth in exports to Japan and other overseas countries. In 1987, strong domestic demand in Canada resulted in a reduction of the trade surplus with the U.S. to \$16.7 billion from \$17.4 billion in 1986. The balance improved substantially with Japan and the major European countries (except the U.K.).

8. The Labour Market

Chart 8.1

Employment Since January 1986

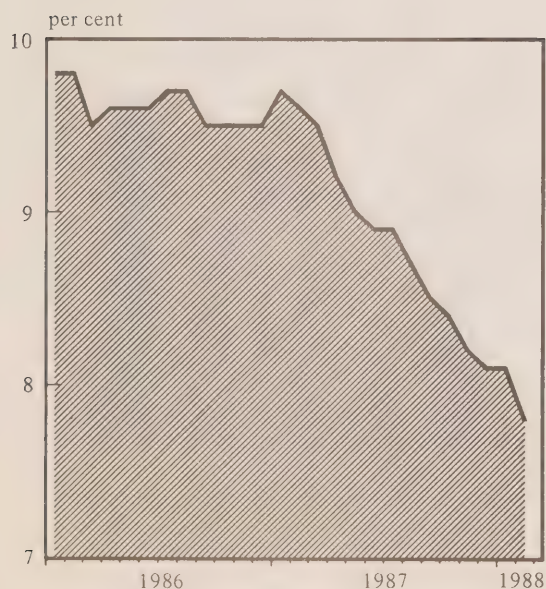


During 1987, employment increased a strong cumulative 4.2% as 486,000 new jobs were created. Employment gains were widespread across age groups, industries and regions.

Employment continued to grow strongly in January and February 1988 as 95,000 additional jobs were created. The level of employment in the first two months of the year was 2.1% above the 1987 average.

Chart 8.2

The Unemployment Rate Since January 1986

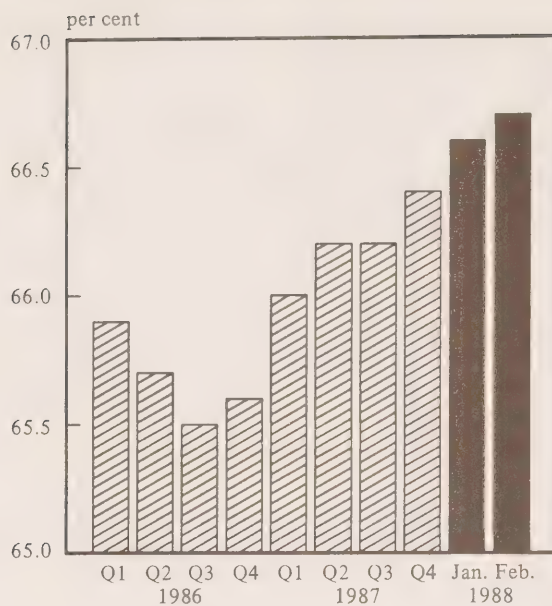


As a result of the strong employment growth throughout 1987, the unemployment rate declined almost continuously throughout the year – dropping 1.6 percentage points to 8.1 per cent at year-end. On average for the year, the annual unemployment rate fell to 8.9% from 9.6% in 1986. Unemployment rate declines were also widespread across age groups and regions during 1987.

In February 1988, the unemployment rate decreased to 7.8% from 8.1% in the previous two months.

Chart 8.3

The Participation Rate

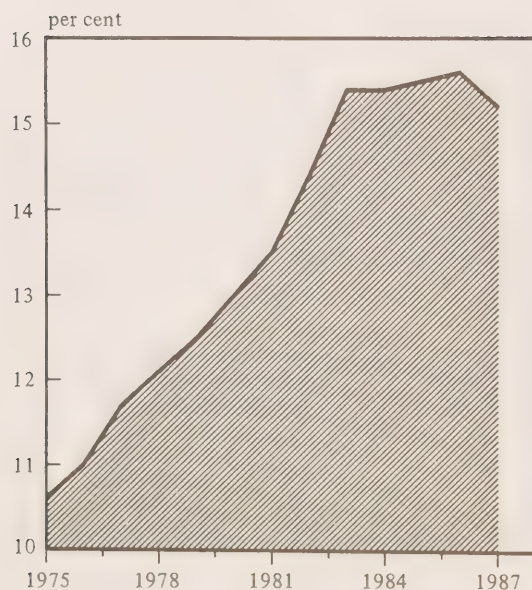


Strong employment growth encourages increased labour force participation. In 1987, the participation rate increased very sharply and, by February 1988, was at a record level of 66.7%. This is in sharp contrast with the experience during 1986 when employment growth was weak and the participation rate decreased.

The participation rate in Canada in 1987 was higher than in the United States (66.2% versus 65.9%). Labour force growth, reflecting the upward movements in the participation rate, averaged a robust 2.0% in 1987.

Chart 8.4

Share of Part-time Workers in Total Employment

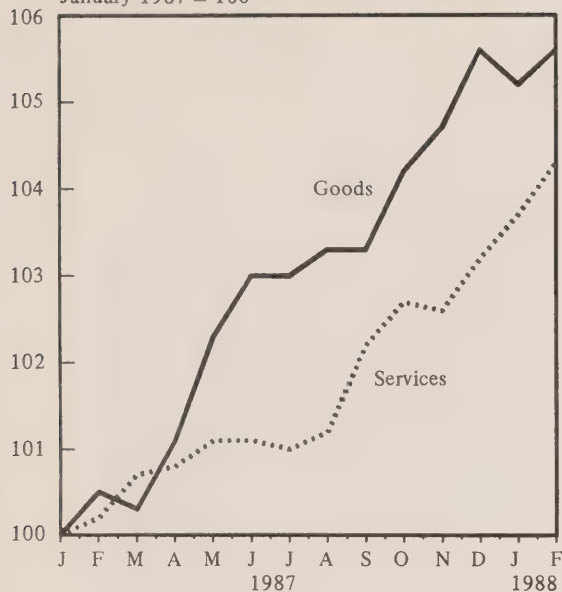


Employment growth in 1987 was led by full-time employment, which increased 4.7% during the year, while part-time employment rose less than 1.5%. Thus, the share of part-time employment in total employment declined in 1987, the first decline in more than a decade. By February 1988, full-time employment had increased for 17 consecutive months. The decline in the share of part-time workers in 1987 was totally due to a decline in involuntary part-time employment (part-time workers who would prefer full-time jobs) as the voluntary part-time employment share continued to increase.

Chart 8.5

Employment in the Goods and Services Sector

January 1987 = 100



After a lacklustre year in 1986 due to weak resource prices, goods-sector employment increased very strongly during 1987. Goods employment growth was led by strong increases in construction and manufacturing.

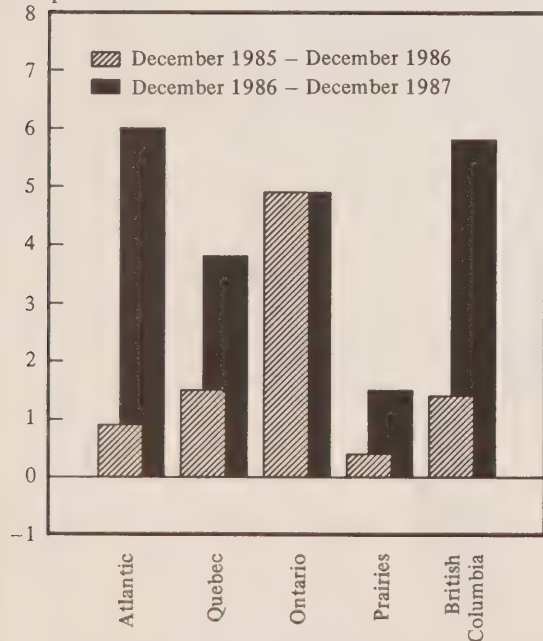
Services employment continued its steady but slower growth, led by increases in finance, insurance and real estate, and in community, business and personal services.

In the first two months of 1988, employment in both goods and services sectors has continued its upward trend.

Chart 8.6

Regional Employment Growth

per cent



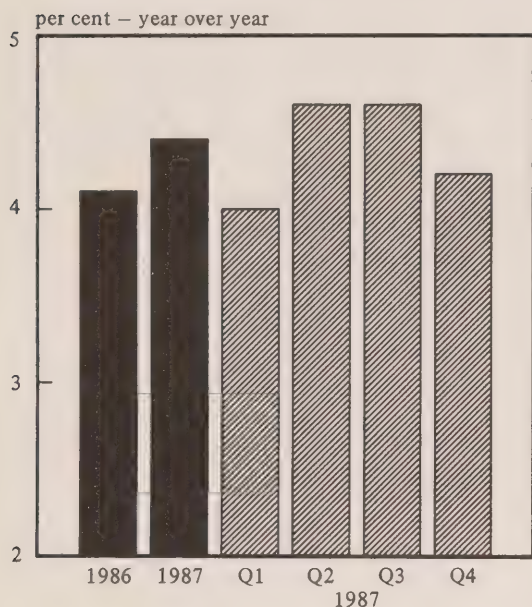
Employment grew in all regions in 1987, with the strongest growth on both coasts. The Atlantic region saw continuous employment growth. Employment growth in B.C. has been extraordinarily strong over the last half year. Employment growth in Ontario and Quebec was very near the national average, but Prairie employment growth was slow.

In the first two months of this year, employment growth continued to broaden outside of Central Canada.

9. Price and Wage Sector

Chart 9.1

CPI Inflation in 1986 and 1987



Since the 1987 peak of 4.8% registered in June, year-over-year increases in the all-items CPI have been trending down. In January 1988, the CPI advanced 4.1%, down slightly from 4.2% in December and the 4.4% average in 1987.

After rising rapidly in the first half of 1987, food price increases moderated somewhat in the second half and by December were only 2.2% higher than a year earlier.

During 1987, energy prices recovered most of the ground lost during 1986 and rose 2.6% on average for the year. Excluding energy, the CPI increased 3.8%, compared to 4.5% in 1986. Excluding food and energy prices, the CPI in 1987 advanced 4.6%, down from 5.3% in 1986.

Chart 9.2

Change in the Major Components of the CPI

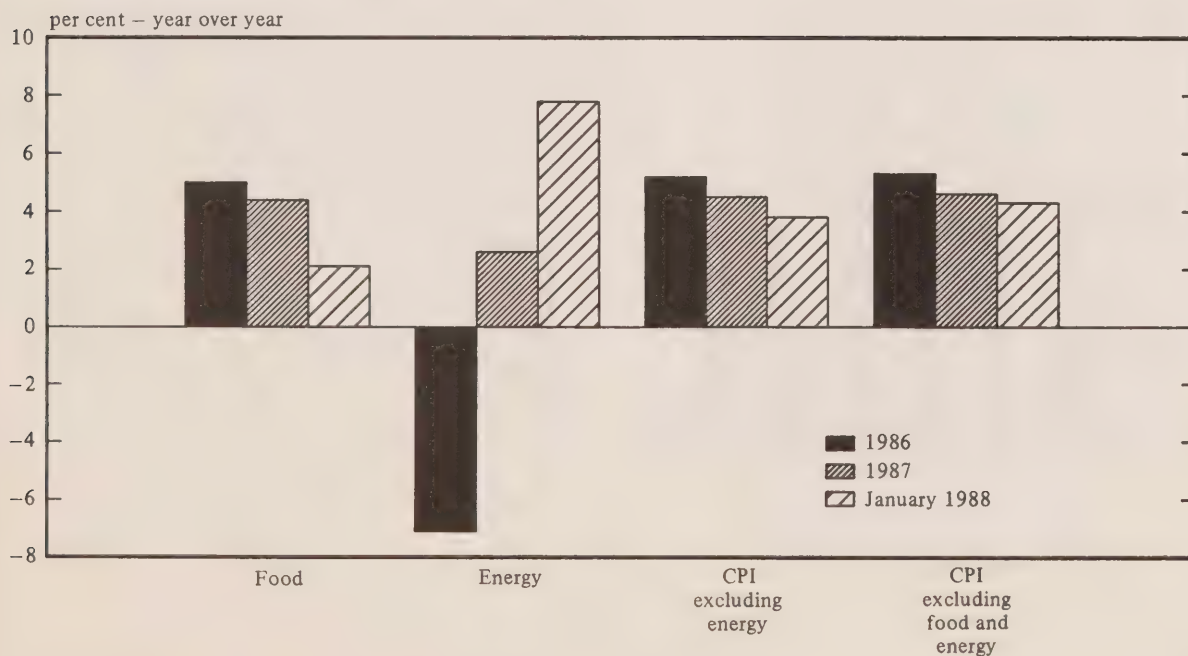
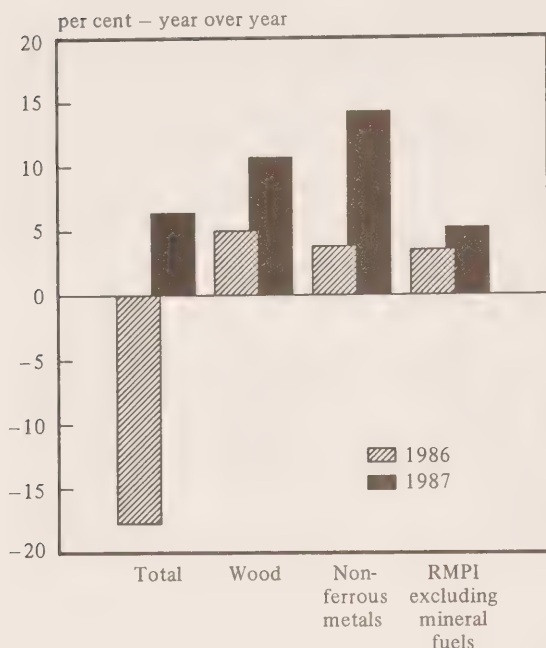


Chart 9.3

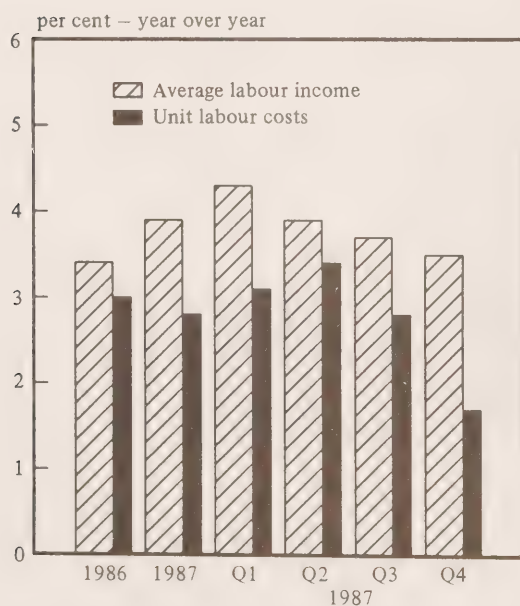
Change in the Raw Materials Price Index (RMPI)



The raw materials price index (RMPI) increased 6.4% in 1987, following a 17.7% decline in 1986. The turnaround in oil prices in 1987 pushed the mineral fuels price index up to an average increase of 8.6% compared to a 36.6% decline in 1986. Increased international demand for several non-ferrous metals resulted in substantial price increases in 1987. The non-ferrous metal price index rose 14.2%, compared to 3.8% in 1986. Strong activity in the construction industry in Canada and in the United States led to a surge in wood prices, and the wood price index posted an average 10.7% increase in 1987.

Chart 9.4

Change in Average Labour Income* and Unit Labour Costs**



In the fourth quarter of 1987, labour productivity rose a strong 1.8% (year over year), the highest rate of increase since early 1985. This strength in productivity, combined with continued moderation in wage increases, meant that unit labour costs advanced only 1.7% year over year, the lowest increase in three years.

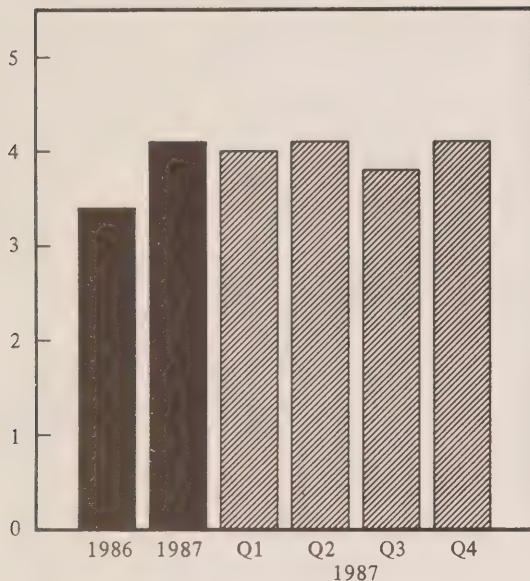
Unit labour cost increases remained moderate throughout 1987. On average, they were 2.8% higher than a year earlier, down slightly from the 3% increase recorded in 1986. Underlying these increases were relatively moderate average labour income increases (3.9%) and sustained productivity gains (1.1% on average). Unit labour cost increases were significantly lower than the CPI inflation rate.

*Labour income divided by employment.
 **Labour income divided by real output.

Chart 9.5

Wage Settlements (all agreements)

effective increase in base rates

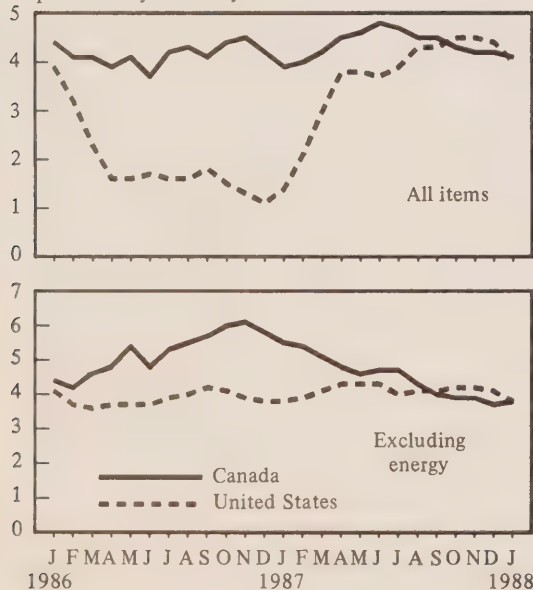


In the fourth quarter, wage settlements (covering 500 employees or more) rose slightly to 4.1% from an average of 4.0% in the first three quarters. In 1987 as a whole, wage settlements averaged 4.0%, remaining under the inflation rate. Settlements in both the private and public sectors were up somewhat in 1987. Private sector effective wage increases averaged 4.2% in the fourth quarter of 1987 and 3.7% for the year as a whole. Public sector settlements increased to 4.1% in the fourth quarter from 3.8% in the third quarter, and averaged 4.2% in 1987.

Chart 9.6

CPI Inflation in Canada and the U.S.

per cent — year over year



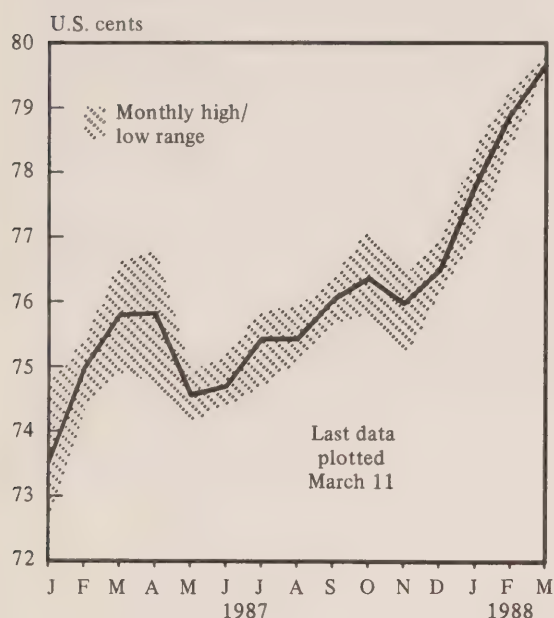
Consumer price inflation in the U.S. increased substantially in 1987. From a low of 1.4% (year over year) in January 1987, the growth in the all-items U.S. CPI rose to 4.5% by the end of the year. In January of this year, the U.S. CPI recorded a 4.0% advance over a year earlier. In the last two years, movements in the CPI have been closely linked to oil price movements. Excluding energy prices, inflation in the U.S. remained relatively flat at 4.0% over the last two years.

During the fourth quarter, consumer price inflation in Canada was below that in the United States.

10. Financial Sector

Chart 10.1

The Canadian Dollar Since January 1987 (Average Noon Value)

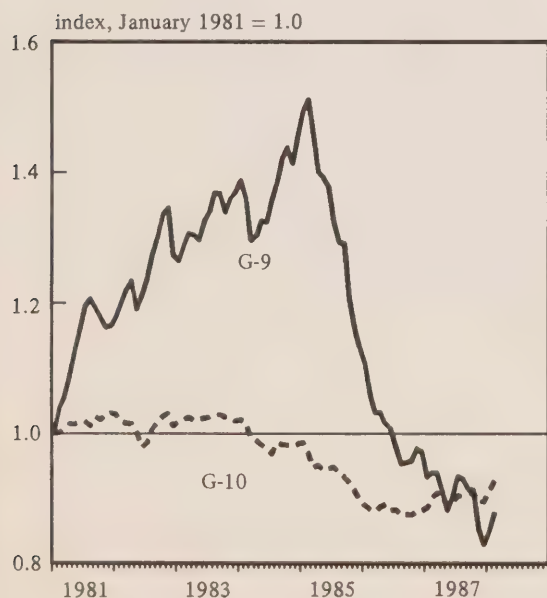


The Canadian dollar has begun 1988 as it did 1987, with a sharp increase against the U.S. dollar. By early March, the Canadian dollar had gained over 2 1/2 cents against its U.S. counterpart and was consistently above U.S. \$0.795.

This gain, on top of the 4 1/2-cent gain during 1987, brought the Canadian dollar to a four-year high against the U.S. dollar. From December 1986 to early March, the Canadian dollar appreciated almost 10% against the U.S. dollar. The strong Canadian dollar reflects increased confidence in Canadian economic performance and, to a lesser extent, some widening of interest rate differentials.

Chart 10.2

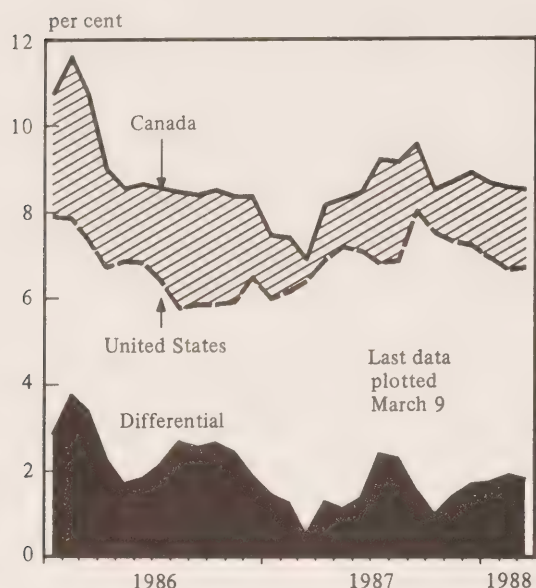
Canadian Exchange Rate Indexes



During 1987, the strong gain against the U.S. dollar offset the depreciation of the Canadian dollar against overseas currencies. As a result, on a trade-weighted basis, the Canadian dollar increased against the G-10 currencies for the first time since 1983. So far in 1988, the Canadian dollar has also risen against the G-9 currencies, reinforcing the appreciation against the U.S. dollar and taking the G-10 index to its highest level since late 1985.

Chart 10.3

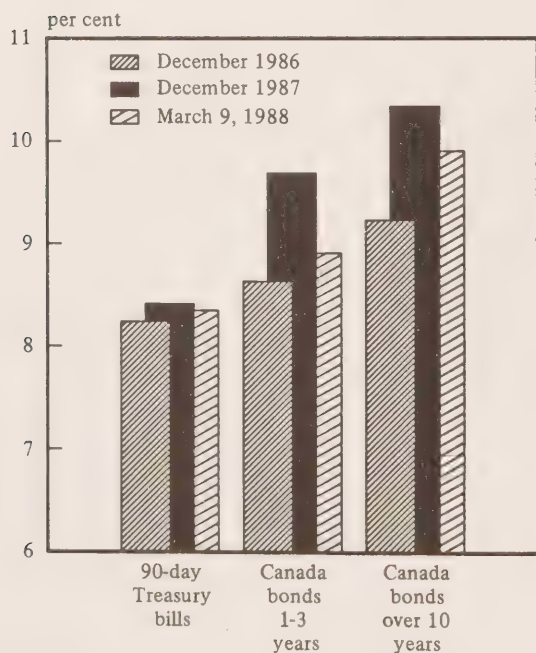
90-Day Commercial Paper Rate in Canada and the U.S.



Since the beginning of the year, interest rates have been drifting down slightly in the U.S. as slowing U.S. final domestic demand growth in the fourth quarter of 1987 has eased U.S. inflation concerns somewhat. Canadian short-term rates have also moved down, but not as rapidly or as far as those in the U.S. As a result, the differential on 90-day commercial paper widened to 1.8 percentage points by March 9, 1988 from 1.4 on average in 1987. Nevertheless, the current differential remains well below that in early 1986 when the Canadian dollar was under downward pressure.

Chart 10.4

Short and Long Term Interest Rates (End of Period)

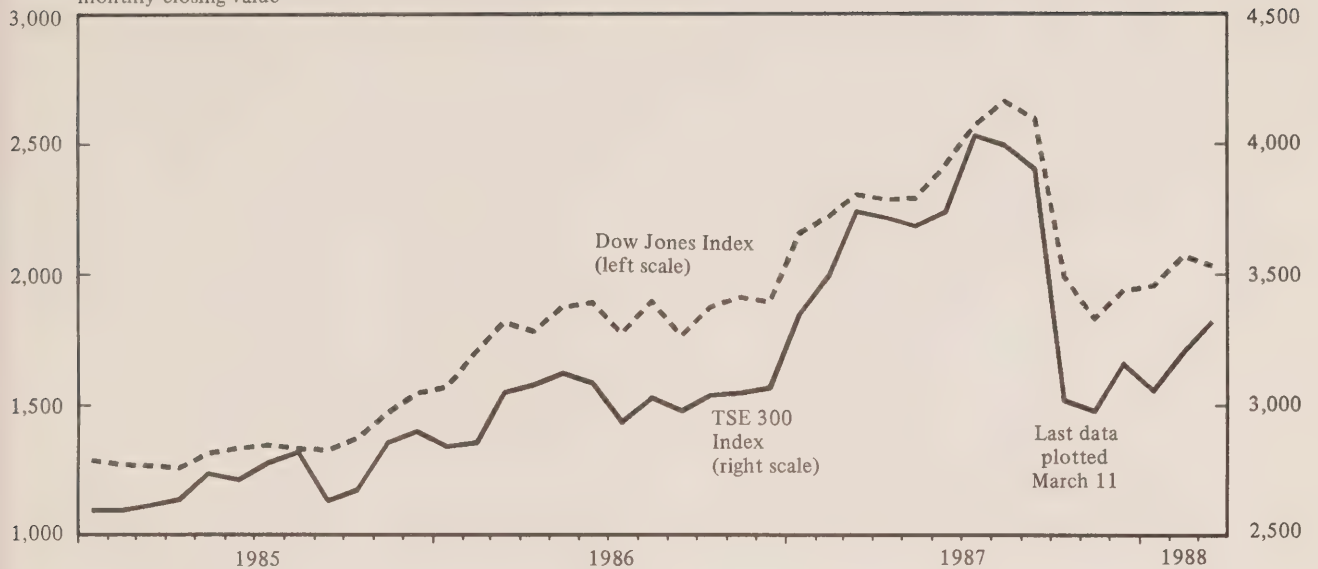


Canadian short-term rates have eased slightly since the end of 1987 but medium- and long-term rates have fallen more, declining by 0.8 and 0.4 percentage points respectively. These declines have erased much of the increases registered during the course of 1987. The rate on one- to three-year Government of Canada bonds has fallen to its lowest level (8.9%) since April 1987, while the rate on 10-year and over maturities (9.9%) is at its lowest level since July 1987.

Chart 10.5

**TSE 300 and Dow Jones
Industrials Indexes**

monthly closing value



While stock prices remain significantly below their levels prior to the October decline, the stock market has firmed since the October decline and has begun to move upward. The gains in early 1988 reflect an easing in interest

rates, lessening fears of an impending recession and renewed institutional share purchases in the face of a stable market. By mid-March, both the TSE 300 and the Dow Jones indexes have recovered to near their January 1987 levels.

Special Report

Special Report

Investment Spending in the Current Expansion

Prepared by:

Graham Rose
Economic Analysis and Forecasting Division
Fiscal Policy and Economic Analysis Branch
Department of Finance.

Views expressed in this special report represent those of the author and should not be attributed to the Department of Finance.

11. Investment Spending in the Current Expansion

Introduction and Summary

The pattern of business non-residential investment spending has been atypical in the recovery and expansion following the 1981-1982 recession. In previous postwar recoveries, investment often surpassed its pre-recession peak in the first quarter after the end of the recession, while in this recovery, business investment continued to decline in 1983 and began to contribute strongly to overall economic growth only in 1985. However, it was not until 1987 that a broadly based investment boom started. Indeed, it has taken five years for real investment to surpass its pre-recession peak.

The slowness of investment to recover to its pre-recession level in this cycle can be linked to the inflationary investment climate that existed prior to the recession. This climate, which was characterized by rapid relative price changes and distorted profit expectations in the high inflation environment, led to a large over-investment running up to the pre-recession output peak, financed almost entirely with debt. The corporate sector emerged from the recession with substantial overcapacity and an extremely weak financial position. As a result, it took much longer to restore favourable investment conditions than in previous recoveries. Firms were more cautious in undertaking new investment and placed a priority on rebuilding a solid financial position. This has now been accomplished. The result is that Canadian corporations are today much less vulnerable to interest rate and demand fluctuations than at this point in previous postwar cycles.

The current investment boom is more solidly based on economic fundamentals. It is a reflection of strong rates of return on capital and the present need for new investment to meet demand. The strong financial positions of corporations have made it easy for them to finance these investments largely through internal cash flow, or externally at relatively low costs. Even in the resource sector, where investment conditions remain much weaker than prior to the recession, conditions are improving due to a firming in world resource prices.

This report examines the conditions that underlay the weakness in investment prior to 1987 and the strength of investment now. The first section traces investment over the past decade, describing the legacy of the pre-recession and recession period for investment conditions in the recovery. The next section describes the important role that improvements in capacity utilization and profitability played in allowing the investment recovery to get started. The role played by the rebuilding of corporate financial positions is developed in the third section. The last section summarizes current business investment conditions.

Investment Spending Since 1977

Variations in business non-residential investment tend to be much greater than changes in output, and this was particularly evident before and during the 1981-1982 recession period.

Pre-Recession Period

From 1977 to 1981, real business non-residential investment increased at an average annual rate of 14.6%, more than four times the rate of real GDP growth. The share of investment in total output rose to 15.7% just prior to the 1981-1982 recession, well above the previous peak of 14.5% in 1957 and the average of 11.4% from 1947 to 1980 (Chart 11.1). Investment growth during that period was widespread among sectors, occurring almost equally among the resource and non-resource sectors (Chart 11.2). Although investment growth was strong, the economic bases underlying these expenditure decisions were not totally sound.

Expectations of strong future demand and price growth as much as current conditions appear to have been the main stimulants to investment growth.

- The rapid gains in oil and non-energy commodity prices had lifted resource sector

Chart 11.1

Investment Share of Real GDP

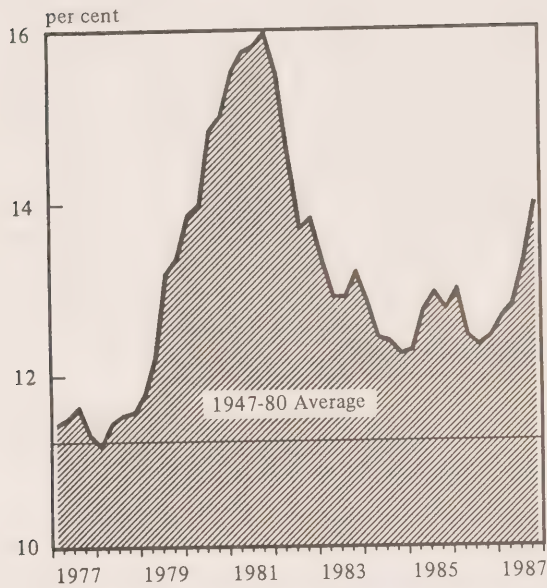


Chart 11.2

Real Commercial Resource and Non-Resource Investment

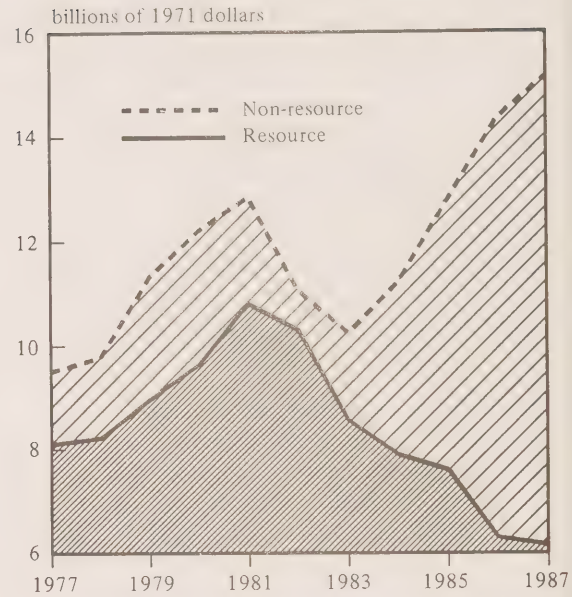


Chart 11.3

Goods Sector Capacity Utilization Rates

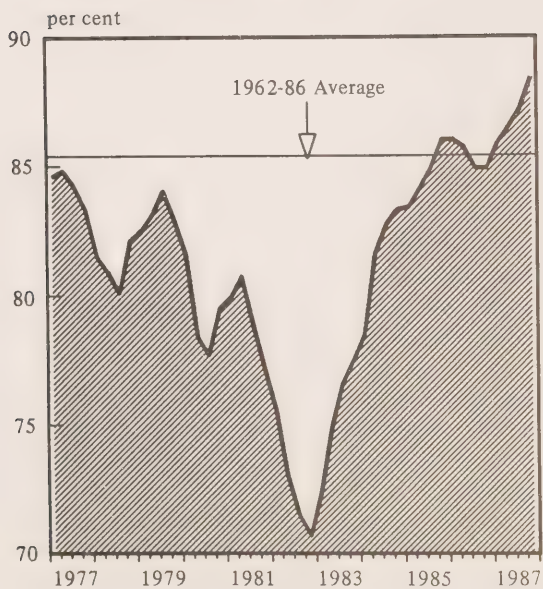
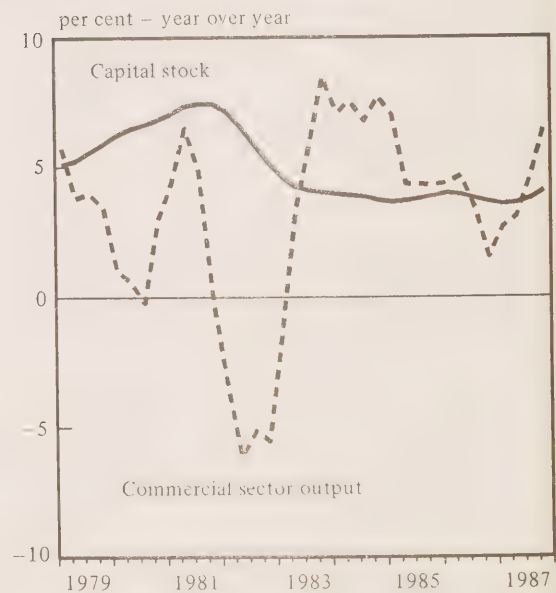


Chart 11.4

Change in Real Business Capital Stock and Commercial Sector Output



profits to record levels. These relative price gains were expected to continue into the foreseeable future.

- The 18% depreciation of the Canadian dollar relative to the U.S. dollar from the beginning of 1977 to the beginning of 1981 had improved Canadian cost competitiveness and raised expectations of improved sales abroad.
- Expectations of continued high inflation and deductibility of nominal interest costs made after-tax real interest costs low or even negative for most businesses, despite strong increases in nominal interest rates.
- Non-resource industries were replacing energy-inefficient capital stock because of an expected acceleration in energy costs.

As a result of these expectations, growth of the capital stock far outstripped growth in demand, and capacity utilization rates declined significantly (Chart 11.3).

Even before the 1981-1982 recession started, the financial positions of corporations were severely weakened.

- Much of the increased investment over this period was financed by increasing corporate debt, as cash flow was insufficient to cover the high level of investment and equity financing appeared relatively expensive.
- The strong burst of takeover activity, particularly in the resource sector in 1980 and 1981 in response to the National Energy Program, was financed largely by increasing corporate debt, often at short-term variable interest rates.

As a result of these financing decisions, debt-to-equity ratios rose to well above normal levels by the time the recession started in mid-1981, leaving the corporate sector highly vulnerable to the sharp increases in interest rates that followed.

The 1981-1982 Recession

The expectations upon which much of the investment and debt build-up in the 1977-1981

period was based proved unachievable in the wake of the recession. Real output experienced its largest decline since the great depression, resource and energy prices plummeted and interest rates rose dramatically. The downturn in output and prices compounded the existing excess capacity and financial problems, leading to a sharp decline in investment. Non-residential investment fell 16.9% during the recession, more than three times the rate of decline of real output.

Although investment fell sharply over this period, the level of investment after replacement of worn-out structures and equipment was still positive, which added to the stock of capital. As a result, the growth of the business capital stock only slowed from 7.3% on a year-over-year basis at the beginning of the recession to 5.2% at the end (Chart 11.4). The continued growth of the capital stock, combined with the decline in output, further increased excess capacity. By the end of 1982, capacity utilization rates had fallen to their lowest levels on record.

Corporate balance sheets continued to deteriorate. The sharp drop in internal cash flow, combined with the high financial demands to meet investment plans already underway, forced firms to increase debt loads at a faster rate than prior to the recession. Corporate debt relative to equity rose to record levels in 1982. Interest coverage ratios – a measure of the ability of corporations to meet interest obligations – fell to record lows. Risk of insolvency rose substantially, and corporate bankruptcies reached record levels in 1982.

The Recovery/Expansion Period: 1983 to 1987

The 1983-1985 Period

The weak financial position and substantial excess capacity of the corporate sector at the end of the recession depressed investment conditions early in the recovery. In addition, unit labour costs had risen much more rapidly than in other major industrialized countries reflecting low productivity and double-digit growth in labour compensation. Also a number of industries were over-regulated. Rather than increasing strongly in the first year of the

recovery, as was typical during the postwar experience, real investment fell a further 6.3% in 1983. In 1984, even with real GDP growth of 6.3%, real business fixed investment rose only a marginal 1.3%.

It was not until 1985 that non-residential business fixed investment led real output growth, advancing 6.1% compared to 4.3% for real GDP. However, investment growth during 1985 remained narrowly based. Increased investment of real estate developers, oil and gas producers and the manufacturing industries of transportation equipment and paper and allied products more than accounted for the overall investment increase. Resource sector investment as a whole continued to decline.

The Oil and Gas Price Decline in 1986

In 1986, although overall real investment continued to grow, the pace of growth slowed to 2.2% due to the more than 50% decline in world oil prices in the first half of the year. The drop in energy prices substantially reduced oil and gas industry cash flow, leading to a more than one-third decline in oil- and gas-related investment. With about 90% of oil and gas investment in construction expenditure, non-residential construction investment fell sharply in 1986. However, outside the energy sector, investment growth continued to strengthen (Chart 11.5).

The 1987 Investment Boom

Finally in 1987, Canada began to experience a broadly based investment boom. Real business non-residential investment increased 9.2%, with both machinery and equipment and non-residential construction expenditures contributing to this gain. However, the strength in investment was still concentrated in the non-resource sector. Real resource sector investment showed a further modest decline for the year as a whole, due to a further decline in energy-related capital spending.

Rebuilding of Investment Incentives

To undertake additional investment, business must have a reasonable expectation of the need

for investment in terms of anticipated growth in demand for output and an expected rate of return in excess of the cost of funds. High and increasing utilization of the existing capital stock, in response to increasing demand, points to a need to increase capital investment to meet demand. Current profitability of similar capital in use provides an indication of expected returns on investment.

Capacity Utilization Cycle

Despite the sharp decline in investment spending in the recession and early recovery, net capital stock growth, after taking account of inflation, never fell below 3.6%. As a result, the decline in output during the recession reduced the rate of capacity utilization to a record low by the end of 1982. Even with above-potential output growth in 1983 and 1984, capacity utilization in the goods-producing sector did not return to average historical levels until mid-1985.

As the recovery progressed, output growth generally continued to outpace capital stock growth, moving more and more industries to above-average capacity utilization levels. By the end of 1987, goods-sector capacity utilization was at its highest level since 1974. Eighteen of the 25 goods-producing industries were operating at or above average historical rates with 10 industries at or above previous cyclical peaks.

While the level of capacity utilization rates is important, it is not the only consideration underlying the decision to invest. For instance, the resource industries, which continue to have weak investment due to weak profitability, currently have very high utilization rates. On the other hand, in the auto industry, investment was very robust despite excess capacity because of the need to modernize to remain competitive.

Profitability

While overall profits have increased strongly in the recovery, these gains have been unevenly distributed. At the aggregate level, overall profits before taxes more than doubled on a GDP basis since the end of the recession. The share of profits in total GDP increased from a low of 7.2% in 1982 to 10.3% in 1987. However, over 95% of the gain in profits come from the

Chart 11.5

Change in Real Energy and Non-Energy Business Investment

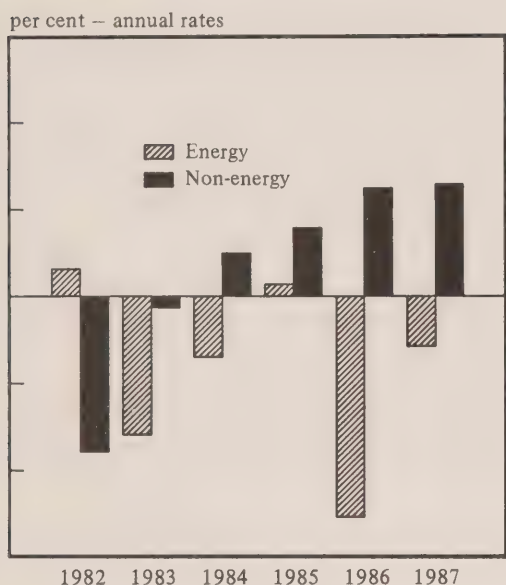


Chart 11.6

Real Return on Equity of Large Industrial Corporations

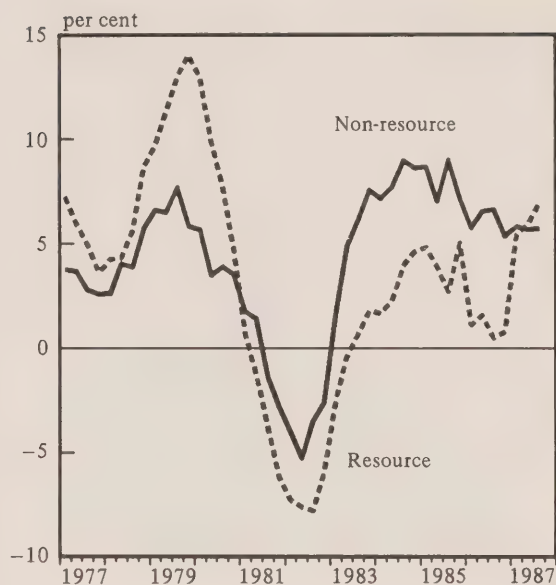


Chart 11.7

Debt-to-Equity Ratio of Large Industrial Corporations

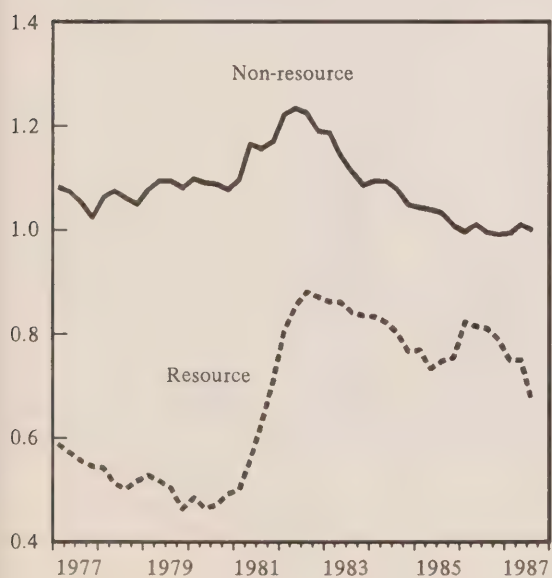
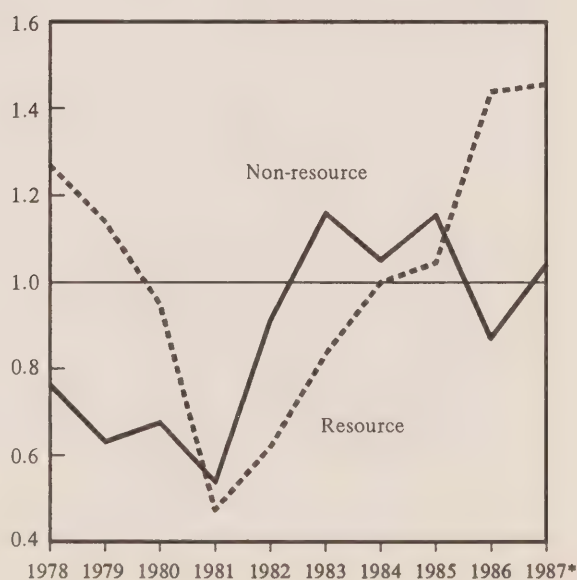


Chart 11.8

Ratio of Internal Cash Flow to Investment of Large Industrial Corporations



*1987 is the average of the first three quarters of 1987.

non-resource sector where profits almost tripled over this period. As a result, the real (after inflation) rate of return on equity of non-resource industrial corporations rose above its pre-recession peak by mid-1984 and has remained above average pre-recession levels ever since (Chart 11.6).

In the resource sector, profits currently are only about 20% above levels at the end of the recession due to continued weakness in commodity prices. The real return on equity in the resource sector has remained well below pre-recession average levels until recently. Even the sharp improvements in profitability of the resource sector in 1987 have left the real return on equity only about half its peak level in 1979 and about 1.0 percentage point below the 8.0% average from 1977 to 1980. However, this measure of profitability is currently above 1977-1978 levels, with prospects of further improvement due to a strengthening of world commodity prices. Profitability also varies widely within the resource sector currently, with near record levels in forest products and metal mining, but low levels in the oil and gas industry.

Rebuilding of Business Financial Situations

The financial ability of business to undertake additional investment without unduly increasing the risk of insolvency has also played a key role in the timing of investment in the recovery. At the end of the recession, record high debt-to-equity ratios, continuing high interest rates, and low profits reduced the ability of corporations to meet debt charges to a record low level.

When the upturn in demand and profits occurred following the recession, the first concern of firms was to restore their financial health. Profits were used to reduce debt and increase equity through retained earnings, rather than increasing investment. In addition, as the bond market rallied, short-term variable-rate debt was converted to longer-term fixed-rate debt to hedge against the danger of future sharp increases in interest rates reducing liquidity. A

strong improvement in stock market prices also allowed businesses to raise an increasing proportion of their external financing needs in the equity markets at lower costs.

Financial Positions of the Resource and Non-Resource Sector

The strong rise in profitability in the *non-resource* sector allowed a rapid improvement in their balance sheet positions. The debt-to-equity ratio fell from the peak in 1982 to below the average of pre-recession levels by mid-1984 and has continued to improve since (Chart 11.7).

The ability to meet interest costs out of cash flow improved substantially. With better balance sheets, non-resource sector firms were able to direct more of the strong improvement in cash flow to new investment by 1984. Since then, these firms have been able to finance almost all their strongly increasing investment expenditures out of internal cash flow (Chart 11.8).

The *resource*⁽¹⁾ sector's financial health, however, has shown much smaller improvements since the end of the recession, reflecting weak profit growth (until recently). The debt-to-equity ratio has fallen only modestly since its peak in 1982, and remains about 30% above the 1977-1980 average. While the resource sector currently has a very strong internal cash-flow-to-investment position, this is to a large extent due to weak investment in 1986 and 1987 rather than to strong sales.

Cost of Financing

By the beginning of 1987, the long-term corporate bond rate had fallen 9 percentage points from its peak in the recession to its lowest levels in over eight years (Chart 11.9). Despite increases in interest rates since then, the cost of new debt financing has remained near its lowest levels in the 1980s. These declines in interest rates have reduced the cost of financing new capital expenditures with debt. As well, the cost of interest payments on existing variable rate or maturing debt has been reduced, providing more internal cash flow to finance investment or repay debt.

(1) The resource sector excludes electric utilities and pipelines for financial position and profitability data.

Chart 11.9

Corporate Short-Term Interest Rates and Long-Term Bond Yields

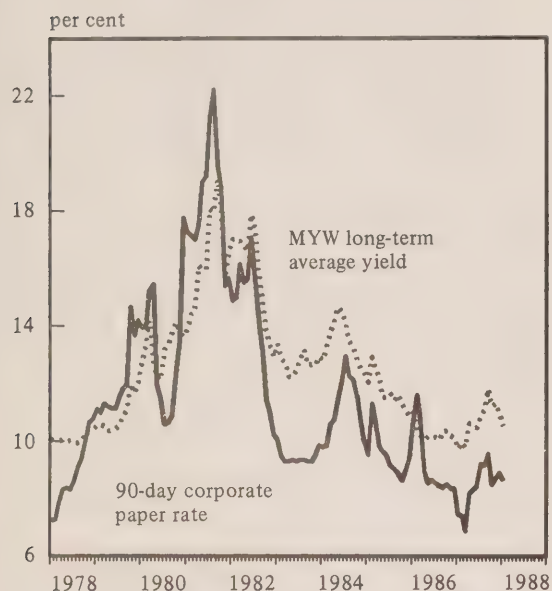


Chart 11.10

TSE 300 Dividend Yield

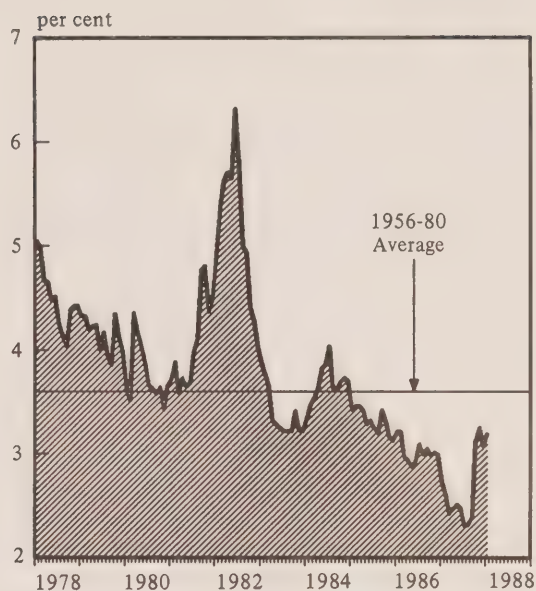
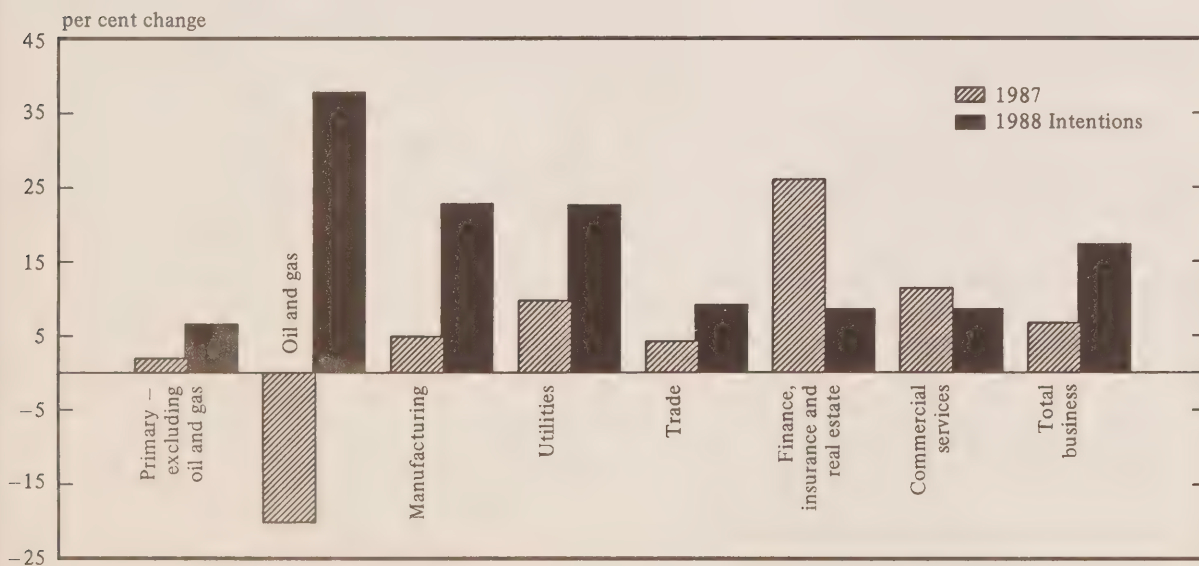


Chart 11.11

Nominal Business Non-Residential Investment Intentions by Sector



Despite relatively low interest rates, businesses have been cautious about increasing their stock of outstanding debt to avoid the liquidity problems that occurred during the recession. The stock of debt of non-financial corporations rose only 3.9% at annual rates in the first three quarters of 1987 compared to an average of 4.3% per year from 1982 to 1986 and 19% from 1977 to 1982.

In addition, the availability of low-cost equity financing has played a significant role in reducing the demand for new corporate debt financing. The dividend yield, which provides an indication of the expected cost of issuing new equity, has remained below historical averages through most of the recovery and, in July 1987, was at its lowest level in the postwar period. Despite some rise in the dividend yield since then, due to the fall in stock market prices, it remains well below its average level from 1956 to 1980 (Chart 11.10). This has enabled Canadian business to obtain low-cost external financing for investment and restructuring balance sheets. As a result, share financing has been the largest source of external financing of industrial corporations with the stock of share capital increasing at an average annual rate of 14.4% since the end of 1982. The current healthy level of the debt-to-equity ratio leaves corporations well placed to rely more heavily on debt financing in the wake of the October 1987 stock market decline.

The Current Investment Boom in Perspective

In 1987, Canada experienced its strongest year of investment growth since 1981 and the buoyancy of investment is expected to increase even more in 1988. Equally important, investment growth is becoming not only stronger but also more balanced among regions and industries, reflecting the broad-based strength of current business conditions.

- The business sector increased nominal non-residential investment expenditures by 6.7% in 1987, according to Statistics Canada's Private and Public Investment (PPI) survey. In 1988, these expenditures are expected to increase 17.3%.

- For the first time in seven years, all major industry groups are expected to increase investment expenditures in 1988 (Chart 11.11).
- Non-residential business investment is expected to increase in all regions of Canada in 1988, after being largely concentrated in Central Canada since 1984. In particular, business investment growth in the Prairie and Atlantic regions is expected to improve substantially in 1988, reflecting widespread industrial gains and a particularly strong recovery in oil and gas exploration in the Prairies.

Unlike the pre-recession boom, which was built to a large extent on expectations of future gains in output and demand, the current investment boom is now based on solid conditions including:

- high rates of capacity utilization;
- high real rates of return on equity of industrial corporations;
- strong internal cash flow that is more than sufficient to cover the strong increase in investment expenditures; and
- external financing costs that are near their lowest in the 1980s.

These conditions, combined with the improved investment climate created by Tax Reform and the Free Trade Agreement, suggest that a continuation of strong investment growth is in prospect, leading the economy into its sixth year of expansion.

CAI
FN
-E16

Canadian
Publication

Quarterly Economic Review

June 1988

Canada

Quarterly Economic Review

June 1988



Department of Finance
Canada

Ministère des Finances
Canada

The Quarterly Economic Review

© Minister of Supply and Services Canada 1988

Available in Canada through

Associated Bookstores
and other booksellers

or by mail from

Canadian Government Publishing Centre
Supply and Services Canada
Ottawa, Canada K1A 0S9
(819) 997-2560

	Canada	Other Countries
3 regular issues – single copy	\$ 4.00	\$ 4.80
1 special issue – single copy	\$10.00	\$12.00
Annual subscription – 4 issues	\$20.00	\$24.00

Price subject to change without notice

Cette publication est également offerte en français

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, the Organization for Economic Cooperation and Development (OECD) and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is June 22, 1988.

Comments or questions should be directed to Michael Kennedy (613-996-0336), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Contents

1. The Economy in Brief	1
Real GDP increased at an annual rate of 3.4% in the first quarter after a 6.3% average increase in the second half of 1987. The healthy pace of growth in the first quarter is consistent with the latest OECD projection which places Canada as the second fastest growing of the G-7 economies in 1988.	
2. Personal Sector	5
Consumption increased marginally by 0.2% in the first quarter as decreases in consumption of durable and semi-durable goods were offset by increased spending on non-durables and services. Consumers' confidence remained high.	
3. Housing Sector	9
Residential investment decreased 0.2%, reflecting lower housings starts. However, starts rebounded to an average of 225,000 (annual rate) in April and May or 13.1% above the first quarter level. Profitability in the industry remains attractive.	
4. Business Non-Residential Investment	13
Business investment rose by 5.9% in the first quarter following growth of around 25% on average in the last three quarters of 1987. Capacity utilization remained near its recent peak level of 87%.	
5. Business Inventories	17
Real business inventory investment decreased slightly to \$3.3 billion in the first quarter after a sharp rise to over \$4 billion in the preceding quarter. Farm inventories dropped due to higher exports of wheat.	
6. Government Sector	19
The federal government deficit on a Canadian Income and Expenditure Accounts (CIEA) basis was \$22.4 billion in the fiscal year 1987-88 (seasonally adjusted), down from \$24.7 billion in 1986-87 and \$32.4 billion in 1984-85.	
7. Foreign Trade	21
The current account deficit dropped to \$6.1 billion from \$13.4 billion in the previous quarter, reflecting a \$2.3 billion increase in real net merchandise exports, a large inflow of income from non-residents and the positive impact of the Calgary Winter Olympics on net travel receipts.	
8. The Labour Market	23
The labour market continued to be buoyant in the first five months of the year with an additional 173,000 jobs created. The unemployment rate in May was 7.8%.	
9. Price and Wage Sector	27
The consumer price index (CPI) increased by 4.1% on average in the first five months of the year. Excluding food and energy, the CPI increases averaged 4.7%.	

10. Financial Sector	31
-----------------------------------	-----------

The Canadian dollar moved above U.S. \$0.82 by mid-June and reached above U.S. \$0.83 in the following week for a gain of around U.S. 6 cents since the beginning of the year.

Special Report

11. Movements in the Personal Savings Rate	35
---------------------------------------------------------	-----------

This special report examines historical movements in the personal savings rate in light of changes in demographics, institutional and taxation factors, interest rates, the unemployment rate and especially the inflation rate. The measured personal savings rate includes a component that does not add to the stock of wealth but rather only compensates for inflation-induced reductions in the purchasing power of existing assets denominated in nominal terms. After taking account of this effect of inflation on the savings rate, the report shows that the current savings rate, while being much lower than in 1982, is in a range that could be considered sustainable under favourable economic conditions such as at present. The analysis suggests that, in future, consumer spending should grow roughly in line with disposable income rather than outpacing income growth by a margin of two-to-one as has been the case in recent years.

1. The Economy in Brief

Highlights of the First Quarter

- *Real gross domestic product (GDP) increased at an annual rate of 3.4% in the first quarter, a slower pace than in the previous four quarters but higher than previously expected by most forecasters. This continued healthy pace of growth is consistent with the latest OECD projection which places Canada as the second fastest growing of the G-7 economies in 1988.*
- *Consumption and residential construction expenditures were virtually unchanged during the quarter, but real business non-residential expenditure remained buoyant. Canada is expected to register the highest rate of growth in non-residential investment among the G-7 countries in 1988.*
- *The current account deficit dropped to \$6.1 billion from \$13.4 billion in the previous quarter as a result of a \$2.3 billion rise in real net merchandise exports and two events: a large inflow of income from non-residents and a substantial improvement in the balance of travel due to the Calgary Winter Olympics.*
- *Employment rose by 110,000 jobs, or 0.9%, from the end of 1987 to March and by a further 63,000 jobs in April and May. The buoyant labour market was accompanied by rising labour force participation which reached a record rate of 66.9% in May. The unemployment rate in May was 7.8%, down from 8.1% in December 1987.*
- *Consumer price inflation remained around 4.1% in the first five months of the year. Excluding food and energy, prices rose 4.7% on a year-over-year basis.*
- *The Canadian dollar traded at levels above U.S. \$0.82 in mid-June and reached above U.S. \$0.83 a little later, a gain of close to 6 cents from the end of 1987. A year earlier, the dollar was trading at levels around U.S. \$0.75.*

Summary

The Canadian economy continued to grow at a healthy pace in the first quarter. Real GDP moved up at an annual rate of 3.4%, a slower rate than the unsustainably high pace in the previous four quarters, but stronger than generally anticipated at the beginning of the year (Chart 1.1). Final domestic demand growth slowed considerably, with consumption and housing investment remaining virtually unchanged.

Real GDP growth for 1987 was revised up slightly to 4.0% on an annual average basis. This growth maintains Canada's position as the fastest growing G-7 economy on a cumulative basis since 1984.

The composition of growth of the Canadian economy continued the change apparent during the past year with business non-residential investment assuming a leading role (Chart 1.2). Total consumption and housing investment

Chart 1.1

Real Gross Domestic Product and Final Domestic Demand

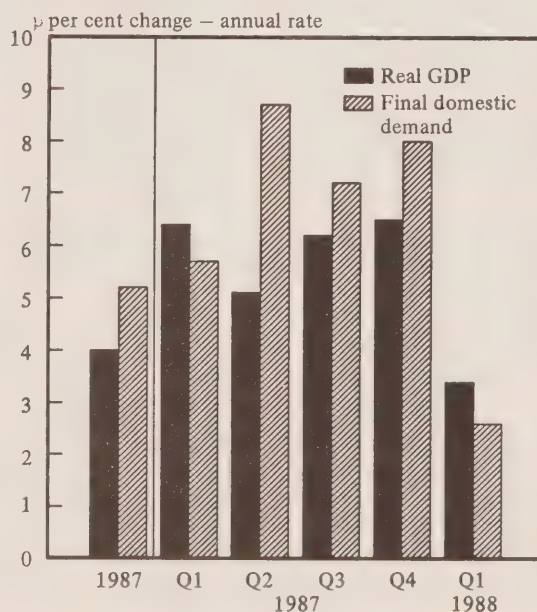


Chart 1.2

Contribution of Business Non-Residential Investment to Real Economic Growth

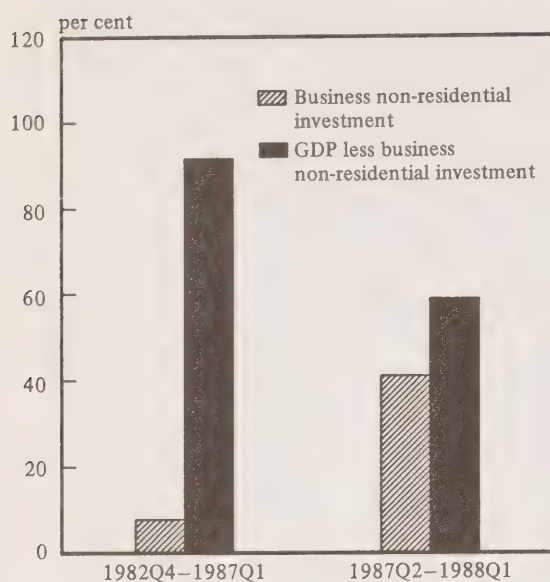
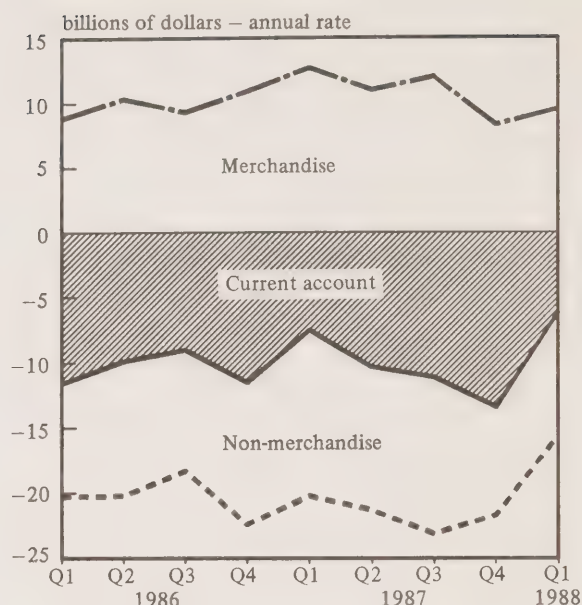


Chart 1.3

Current Account Balance



Main Economic Indicators

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1986	1987	1987				1988
			Q1	Q2	Q3	Q4	Q1
Real gross domestic product	3.2	4.0	6.4	5.1	6.2	6.5	3.4
Final domestic demand	3.8	5.2	5.7	8.7	7.2	8.0	2.6
Consumption	4.3	4.7	5.0	8.0	5.0	6.6	0.2
Residential construction	13.3	15.7	23.1	26.3	15.7	-4.2	-0.2
Business fixed investment	3.2	8.8	3.6	20.3	23.8	28.0	5.9
Non-residential construction	-5.4	1.0	-9.6	25.9	31.6	17.9	1.4
Machinery and equipment	10.6	14.6	13.3	16.8	19.0	35.0	8.9
Business inventory investment (\$b, a.r.)	3.4	1.6	0.5	0.7	0.9	4.1	3.3
Non-farm (\$b, a.r.)	1.8	1.8	0.5	1.0	0.9	4.7	5.5
Trade balance (\$b, a.r.)	13.8	11.5	15.2	11.9	11.5	7.3	10.0
Current account balance (\$b, current, a.r.)	-10.5	-10.6	-7.5	-10.3	-11.1	-13.4	-6.1
Incomes							
Real personal disposable income	1.4	3.1	6.8	4.6	0.8	3.8	-4.1
Profits before taxes	-5.4	24.1	22.3	42.0	18.1	18.1	-7.9
Costs and prices (% , Y/Y)							
GDP price deflator	2.5	4.3	3.8	4.7	4.3	4.4	4.0
Consumer price index	4.1	4.4	4.0	4.6	4.6	4.2	4.1
CPI - energy	-7.1	2.6	-9.8	4.1	8.1	9.9	4.5
CPI - excluding food and energy	5.3	4.6	5.1	4.4	4.4	4.3	4.6
Unit labour costs	3.4	3.5	4.3	4.6	3.3	1.9	2.2
Labour market							
Unemployment rate	9.6	8.9	9.6	9.1	8.7	8.2	7.9
Employment	2.9	2.8	3.3	4.5	2.9	4.9	4.5
Financial developments							
Exchange rate - (end of period) (U.S. cents)	72.44	76.96	76.60	75.08	76.26	76.96	80.98
Prime interest rate (end of period)	9.75	9.75	8.75	9.50	10.00	9.75	9.75

Sources: Statistics Canada and the Bank of Canada.

expenditures remained virtually flat in the first quarter while business non-residential investment again expanded strongly although, at 6%, growth in this component in the first quarter was down from around the 25% pace in the three previous quarters. Current surveys indicate growth of business fixed investment in the range of 20% for the year as a whole and show the highest real increase in seven years.

Although consumer spending remained flat during the quarter, consumers maintained a high level of confidence. The Conference Board's Index of Consumer Attitudes rebounded from a decline in the previous quarter which was attributed to the stock market plunge. Residential investment decreased slightly in the first quarter as housing starts declined from their near 10-year peak in mid-1987. However, housing starts remained at a high level and increased to 225,000 on average in April and May.

The external trade sector was the most important contributor to the growth of the economy in the first quarter. The real merchandise trade surplus moved up \$2.3 billion to \$14.8 billion as exports continued to increase strongly and import growth slowed significantly. Exports of motor vehicles, energy products and wheat were particularly strong. The increase in imports mainly reflected higher imports of machinery and equipment due to the strong growth of business investment.

Employment continued to grow strongly in the first quarter and, by May, 173,000 jobs had been created since the end of 1987. The buoyant labour market spurred labour force participation which reached a record rate of 66.9%. As a result of the strength in employment growth, the unemployment rate reached a 7-year low in April, before increasing marginally to 7.8% in May. Consumer price increases remained around 4.1% in the first five months of the year. However, consumer prices excluding food and energy rose at an annual rate of 5.2% on average in the last three months, down from 5.6% in the previous three month period ending in April.

The Current Account Improves

The slower growth in consumer spending has resulted in slower, but still strong, import growth and, as exports continued to surge, a marked improvement in the current account balance. The current account deficit decreased to \$6.1 billion from \$13.4 billion in the previous quarter (Chart 1.3). A sharp \$3.8 billion rise in investment income from non-residents contributed significantly to the improvement in the current account balance. As well, the Calgary Winter Olympics were largely responsible for the reduction in the travel account deficit.

Buoyant Business Investment

Real business non-residential investment spending increased at an annual rate of 5.9% in the first quarter. This increase followed growth in the 25% range on average in the last three quarters of 1987. The slowdown in growth was partly due to a downturn in oil and gas drilling activity following the expiration of a provincial drilling incentive program which had spurred drilling in the previous quarter. Investment in machinery and equipment was up by 9% in the first quarter. Capacity utilization remained near its recent peak level of 87%, spurring the demand for investment. Indeed, the March PPI survey indicates investment spending will expand by 17.3% in 1988 following 6.7% growth in 1987. The DRIE survey of investment intentions of large corporations suggests an even larger surge in spending. Because of their current strong financial position, the corporate sector is well poised to realize these investment plans.

Consumption Growth Slows

Real consumer expenditure was virtually flat in the first quarter following four quarters of very strong growth averaging 6% per quarter. The slowdown in spending was broadly based with declines in durable and semi-durable goods offset by small increases in consumption of non-durables and services. The wealth losses from the October stock market downturn may have been a restraining factor on consumer spending. The personal savings rate decreased to

7.5% but the decline was solely due to the manner in which Statistics Canada accounted for the acceleration of source deductions remitted by employers starting at the beginning of the year. Abstracting from the effect of the change in the timing of tax remittances, the personal savings rate would have risen to around 9% during the quarter from 8.3% in the fourth quarter. The timing of these remittances by employers does not affect income available to households for consumption.

Inflation Remained at 4.1%

Since the beginning of the year, the consumer price index (CPI) has posted year-over-year increases averaging 4.1%. This pace of inflation is less than in the last quarter of 1987 and is down significantly from the June 1987 high of 4.8%. Excluding food and energy, however, the CPI was up 4.8% in April and May relative to one year earlier. Unit labour costs rose by 4.2% at annual rates in the first quarter but remained only 2.2% higher than a year earlier. Labour productivity, which grew at an average annual rate of 2.1% per quarter during 1987, declined by 1.0% in the first quarter due to the strength of employment gains. Wage settlements during the quarter averaged 4.0%, similar to the pace that has prevailed since the beginning of 1987.

Buoyant Labour Market

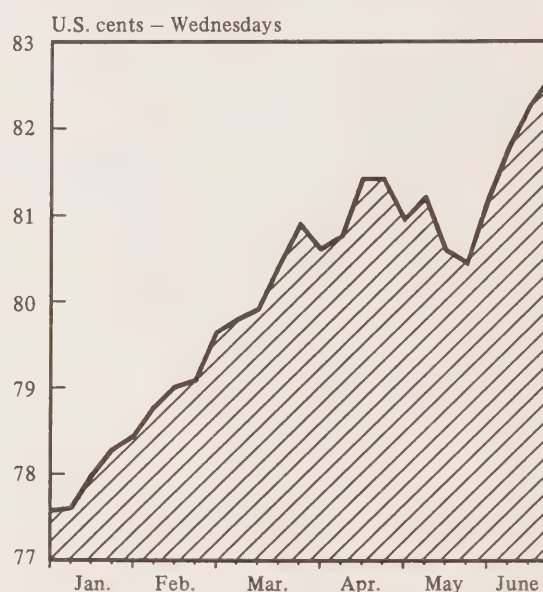
The labour market remained buoyant in the first five months of the year despite a pause in employment growth in March and April. After the creation of 486,000 jobs during 1987, the strongest year of job creation in the 1980s, an additional 173,000 jobs were added in the January to May period. The labour force participation rate reached a record 66.9% in May as the participation rate of women reached a historical high of 57.2% and that of men rebounded to a high of 77.0%. An encouraging feature of the last year and a half is that job creation has become more balanced across all regions of the country.

The Dollar Moved Above U.S. \$0.82

The Canadian dollar has appreciated sharply against the U.S. dollar since the beginning of the year (Chart 1.4). From a closing level of U.S. \$0.7699 on December 31, the dollar rose above U.S. \$0.82 by mid-June and topped U.S. \$0.83 in the following week. Increased confidence in Canadian economic prospects and attractive yields have encouraged inflows of foreign funds into Canada. Short-term interest rates, which had remained fairly stable in May, edged up in June as the Bank rate moved up 37 basis points to 9.49%. The spread between Canadian and U.S. short-term rates, which averaged around 180 basis points in the first quarter, decreased somewhat in May and June to around 160 points.

Chart 1.4

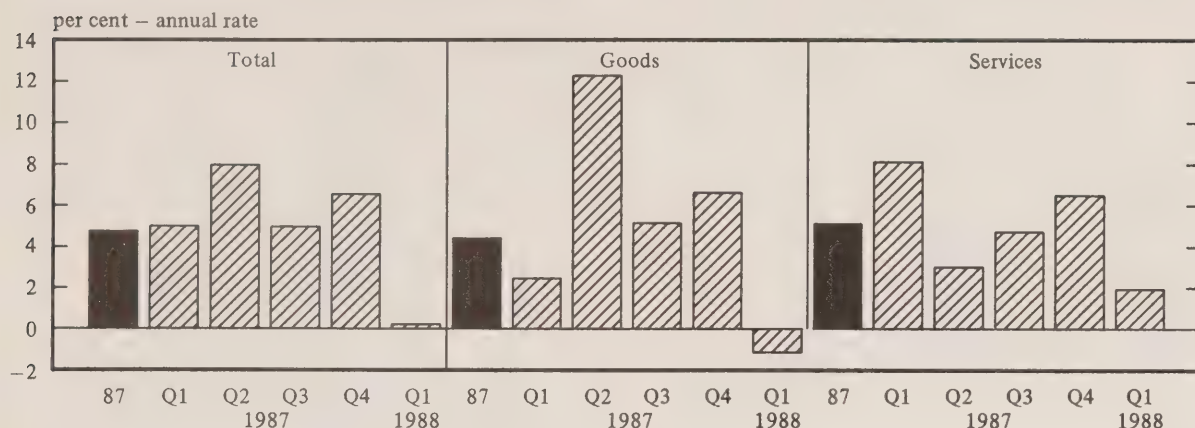
The Canadian Dollar Since the Beginning of the Year



2. Personal Sector

Chart 2.1

Change in Real Consumer Spending by Category



Real consumer spending increased marginally in the first quarter, following four consecutive quarters of strong growth of 5% or better (Chart 2.1). Spending on goods declined while growth in spending on services slowed noticeably. Within goods, spending on durables and semi-durables declined while growth in spending on non-durables slowed significantly. The wealth loss from the October stock market downturn may have been a restraining factor on spending.

Personal income growth continued in the first quarter but at a slower pace than in the fourth quarter (Chart 2.2). This reflected a sharp slowdown in the growth of non-labour income as labour income growth was stronger than in the fourth quarter, a result of several quarters of strong employment growth. Declines in farm income and investment income contributed to the slower growth in non-labour income.

Chart 2.2

Change in Personal Income by Category

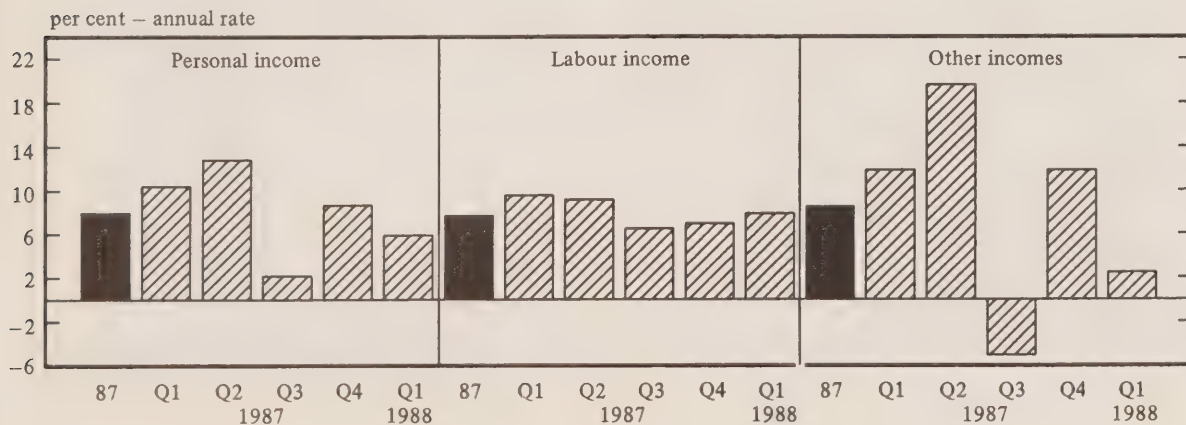
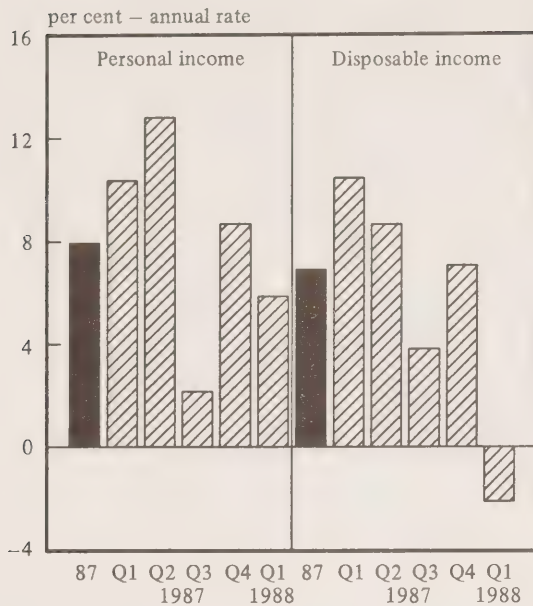


Chart 2.3

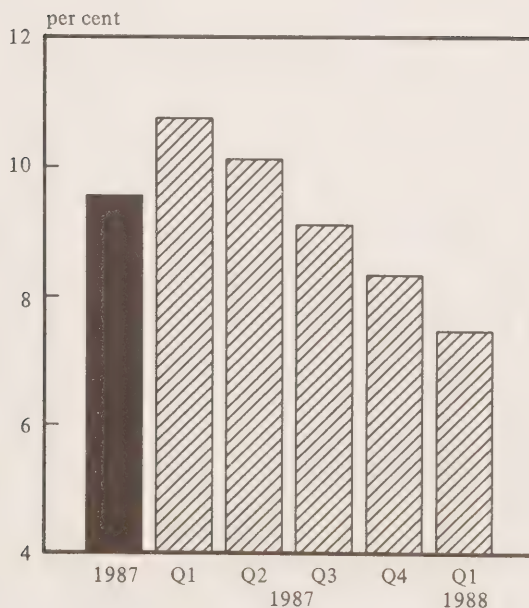
Changes in Personal Income and Disposable Income



While personal income before taxes grew moderately, personal disposable income declined in the first quarter. However, the decline in measured disposable income was solely due to the manner in which the acceleration of source deductions remitted by employers is recorded. In fact, this tax measure has no impact on the level of income available to consumers.

Chart 2.4

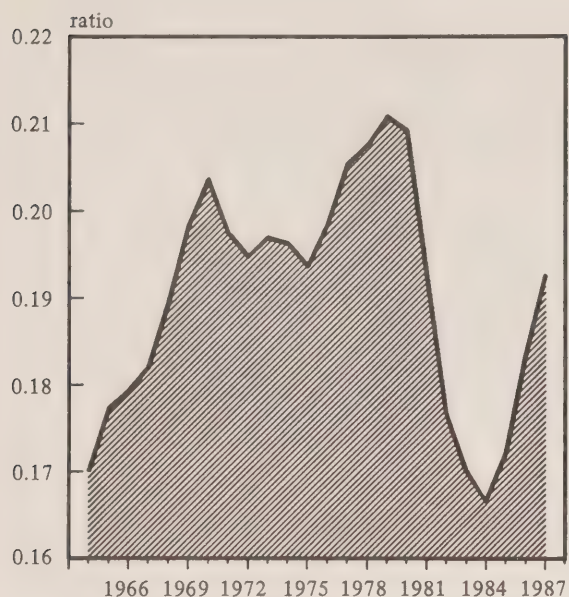
The Personal Savings Rate



The savings rate declined to 7.5% in the first quarter from 8.3% in the fourth quarter. Again, this was due to the one-time impact on measured savings and disposable income of the acceleration of source deductions remitted by employers. Abstracting from this change in the timing of tax remittances, the savings rate would have risen to around 9% in the first quarter.

Chart 2.5

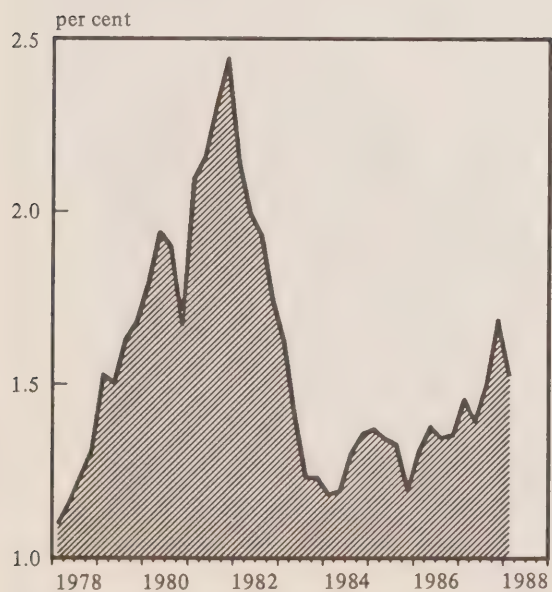
**Consumer Credit Outstanding to
Personal Disposable Income**



The strong growth in spending since the end of the recession, especially on durables, has increased the ratio of consumer credit outstanding to personal disposable income. However, employment growth has fostered income growth, moderating the increase in this ratio which, in 1987, remained below its average during the 1970s.

Chart 2.6

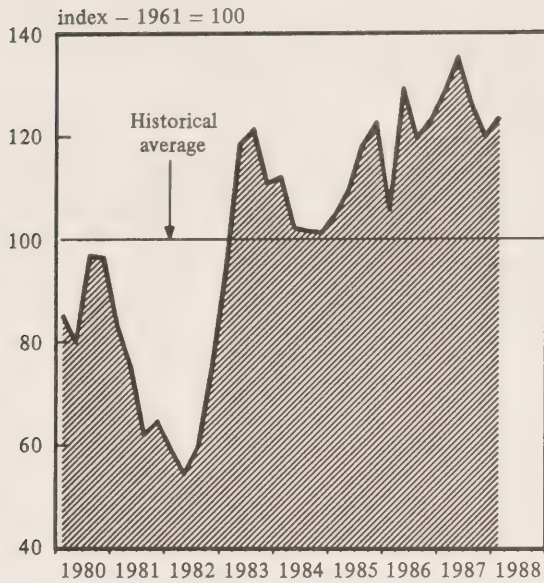
**Interest on Consumer Debt
as a Percentage of
Personal Disposable Income**



The ratio of consumer debt payments to disposable income declined in the first quarter despite the drop in personal disposable income. The financial position of the personal sector remains strong with the ratio of interest payments on consumer debt to disposable income substantially below the levels of the early 1980s because of much lower interest rates.

Chart 2.7

**The Conference Board's Index
of Consumer Attitudes**



The healthy financial position of the personal sector, along with strong employment growth, has contributed to buoyant consumer confidence. This is reflected in such measures as the Conference Board's Index of Consumer Attitudes. This index suggests that consumer confidence waned during the second half of 1987 but has risen somewhat since.

3. Housing Sector

Chart 3.1
 Change in Real Residential Investment by Category

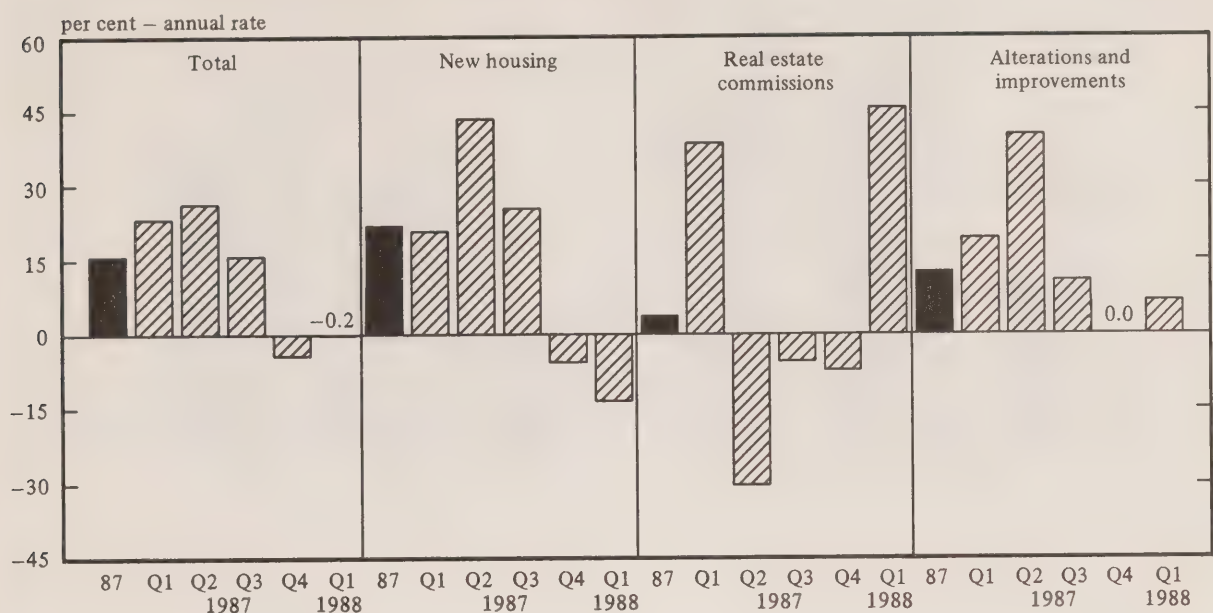
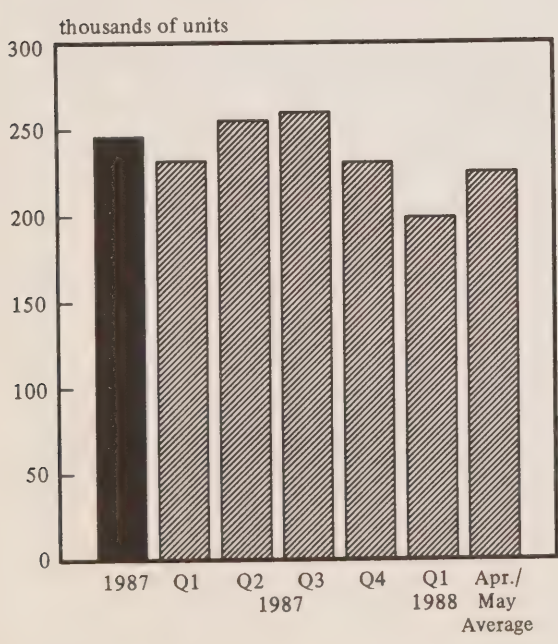


Chart 3.2
 Total Housing Starts in Canada



Total residential investment declined for the second consecutive quarter, but the decrease was marginal (Chart 3.1). New house investment declined noticeably for the second consecutive quarter but real estate commissions rebounded strongly following three quarters of decreases. Expenditure on alterations and improvements increased in the first quarter after registering no change in the fourth quarter of 1987.

The decline in new housing construction in the last two quarters reflected a fall in housing starts to 199,000 units in the first quarter, down from 260,000 and 231,000 units in the third and fourth quarters respectively (Chart 3.2). In April and May, housing starts rebounded to an average of 225,000 units or 13.1% above the first quarter level.

Chart 3.3

Housing Starts by Region Relative to the Performance in the 1980s

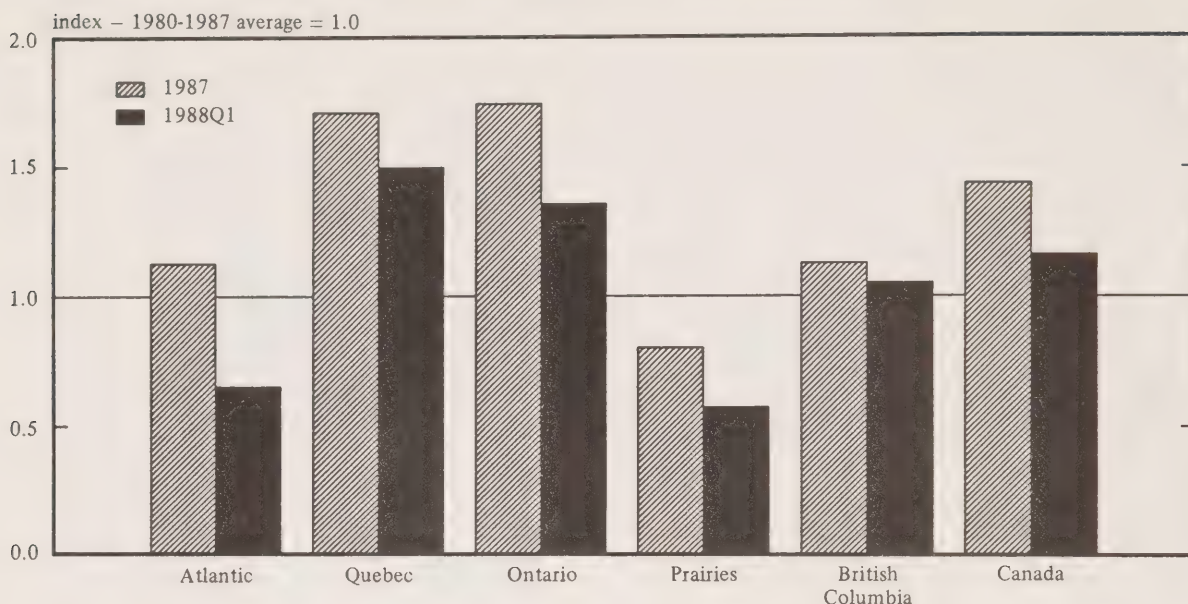
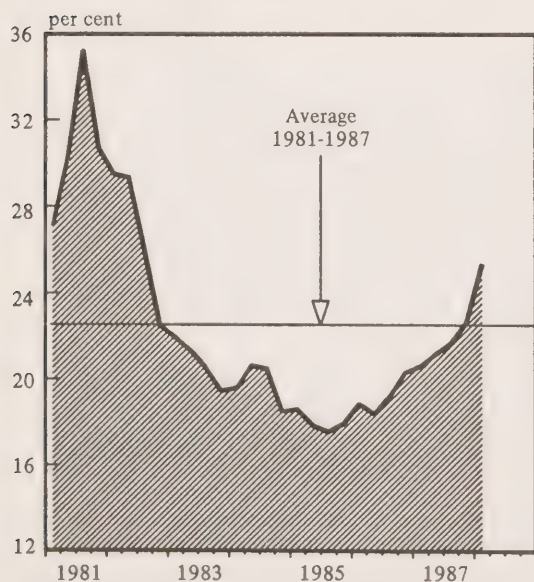


Chart 3.4

Mortgage Payments on a Newly Purchased Home as a Share of Household Disposable Income*



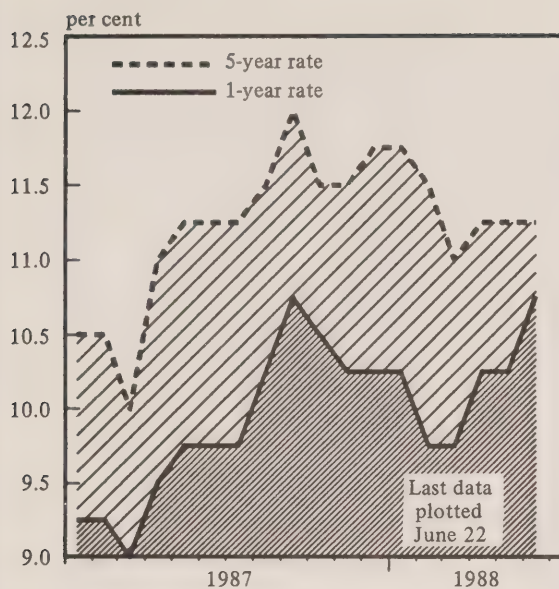
*Department of Finance estimates.

Housing starts declined in all regions in the first quarter, with starts in British Columbia remaining closest to their 1987 level (Chart 3.3). Starts in Canada in 1987, however, had been at their highest level in over 10 years. First quarter starts remained above the average pace to date during the 1980s in Quebec, Ontario, British Columbia and Canada as a whole.

Despite declines in mortgage interest rates, housing affordability deteriorated in the first quarter as house prices rose sharply (Chart 3.4). However, this decline in affordability in the quarter was exaggerated by the one-time impact on disposable income of the acceleration of source deductions remitted by employers.

Chart 3.5

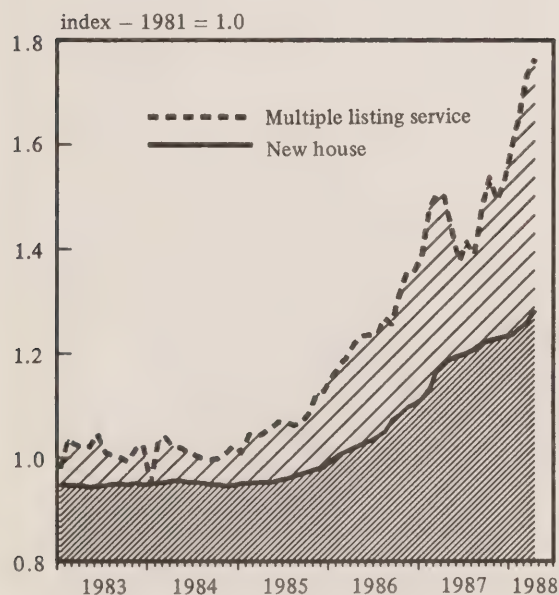
Mortgage Rates



Mortgage rates declined somewhat during the first quarter but have risen since. As of late June, one-year rates are 10.75% and five-year rates are 11.25%.

Chart 3.6

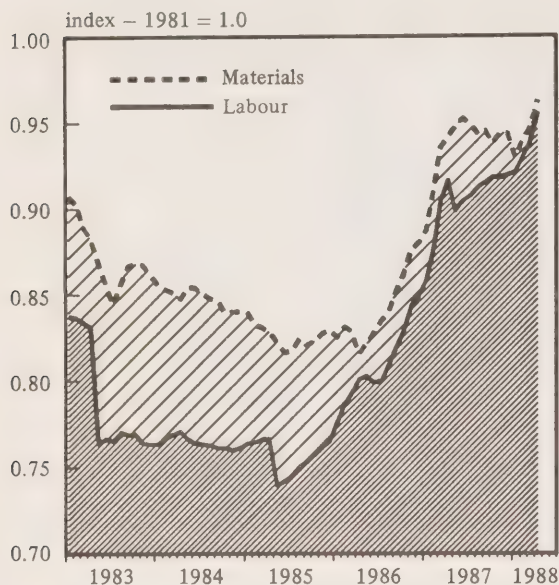
House Prices



House prices continued to rise in the first quarter. New house prices were 1.6% above fourth quarter levels and 9.8% above levels of a year earlier. Resale prices, as measured by the Multiple Listing Service (MLS) price, were 10.5% above fourth quarter levels and 14.3% above levels a year earlier. Ontario resale prices rose less sharply than the national average in the first quarter and were a bit less than the national average on a year-over-year basis.

Chart 3.7

Ratio of New House Price to Construction Cost by Component*

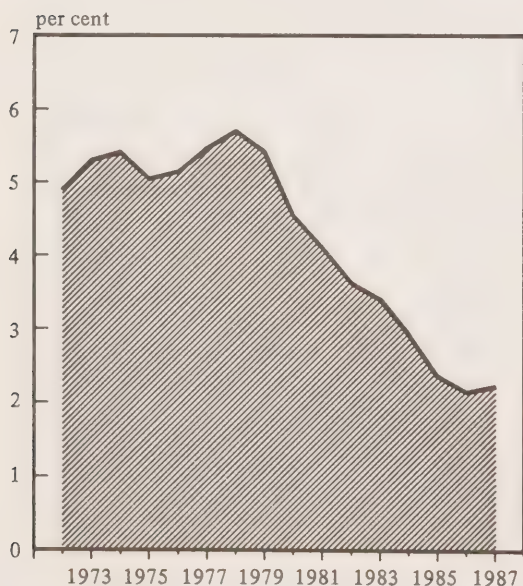


*House price is exclusive of land.

With new house price increases either exceeding or keeping pace with labour and material cost increases, the profitability of new house construction remains attractive. This should encourage a continuation of a strong level of starts of single units. The ratio of new house prices to construction costs remains, however, less than in 1981.

Chart 3.8

Housing Vacancy Rates in Canada



Despite the 246,000 units started in 1987, the vacancy rate at the end of the year was (at 2.2%) almost unchanged from that of the previous year. This reflects the strong growth in housing demand due to an unwinding of the pent-up demand that built up as a result of the recession. The continued low vacancy rate, which is well below the levels of the 1970s, suggests that some pent-up demand may still exist. This is a positive factor for housing market prospects.

4. Business Non-Residential Investment

Chart 4.1

Change in Real Business Fixed Investment

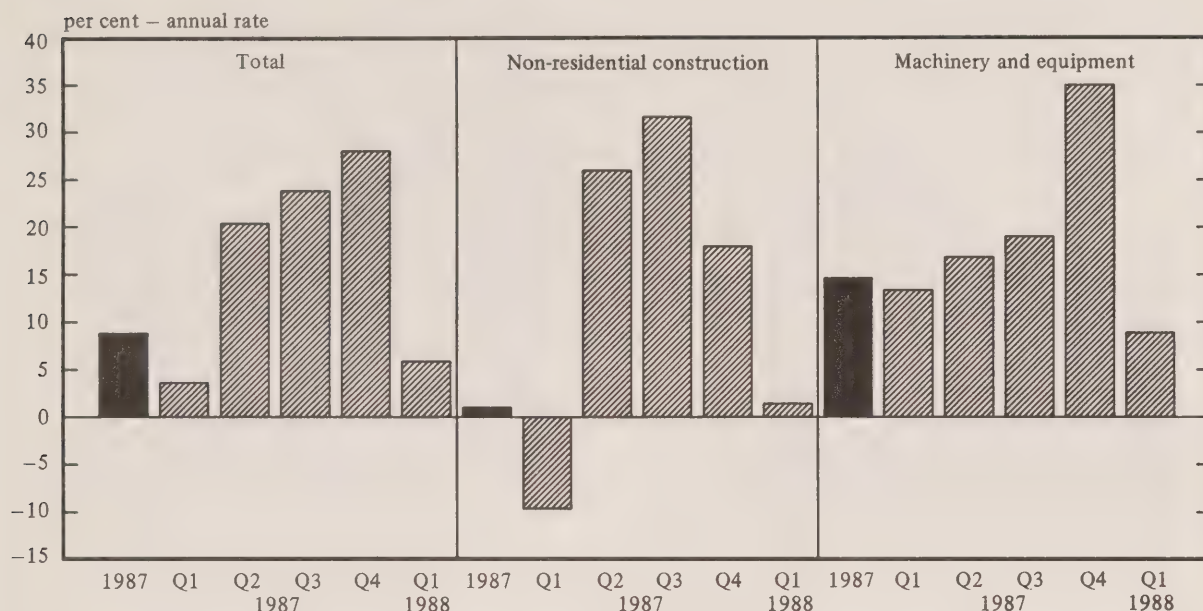
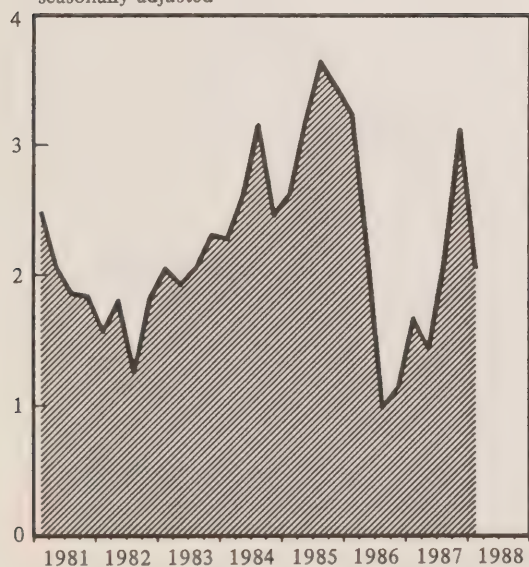


Chart 4.2

Canadian Oil and Gas Drilling Activity

billions of metres drilled –
seasonally adjusted



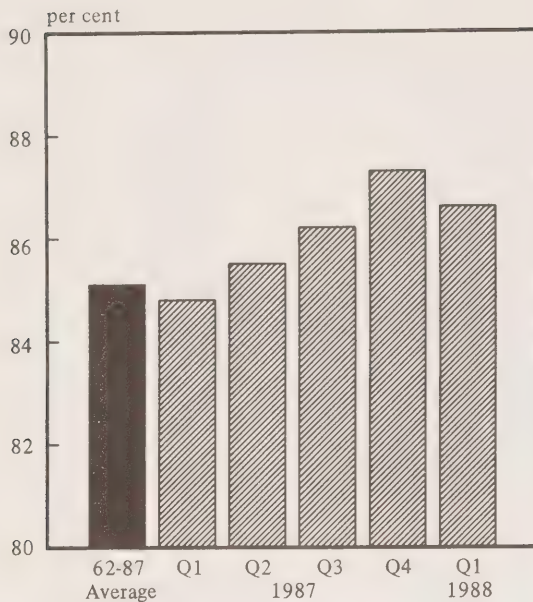
Following dramatic increases in the second half of 1987, business fixed investment growth slowed noticeably in the first quarter of 1988 (Chart 4.1). Despite this slowdown in growth, real business investment increased 5.9% at annual rates in the first quarter and accounted for one-third of the increase in final domestic demand.

The slowdown in investment growth was most evident in non-residential construction, where real increases slowed from 17.9% in the fourth quarter to 1.4% in the first quarter. This largely reflected a downturn in oil and gas drilling activity (Chart 4.2), following the expiration of a drilling incentive program in Alberta which sharply increased investment in the fourth quarter of 1987.

Real machinery and equipment investment rose at an annual rate of 8.9% in the first quarter after increasing by nearly 30% in the previous half year. This strong growth has lifted real machinery and equipment investment more than 30% above its pre-recession peak in the second quarter of 1981.

Chart 4.3

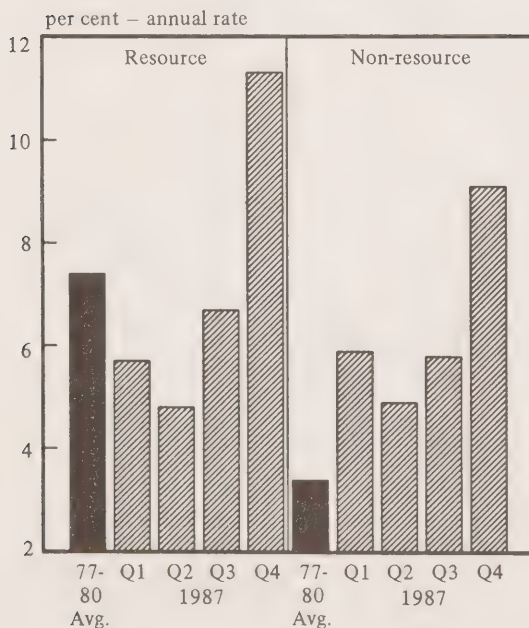
**Goods Sector
Capacity Utilization Rate
(Bank of Canada)**



Reflecting the continuing strong pace of investment growth at the same time that goods sector output remained largely unchanged, capacity utilization in goods-producing industries fell slightly in the first quarter to 86.6% from its recent peak of 87.3%. However, capacity utilization remains well above its 1962-1987 average of 85.1%. As a result, further investment growth can be expected and this should alleviate capacity constraints on production that have occurred in some industries.

Chart 4.4

**Real Return on Equity
of Large Industrial Corporations**

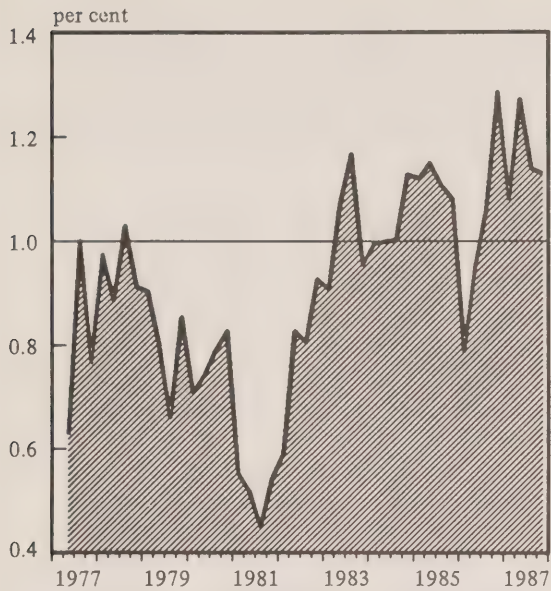


An important factor behind the strong investment growth in recent quarters has been the high and increasing rates of return on investment. By the fourth quarter of 1987, real (after inflation) rates of return on equity had risen to near their highest levels in the 1980s and well above average pre-recession levels in both the resource and non-resource sectors.

These improvements reflect a 33% increase in large industrial corporations' profits before tax in 1987. Although profit growth declined in the first quarter of 1988, the high rates of return generated by previous strong profit growth remain.

Chart 4.5

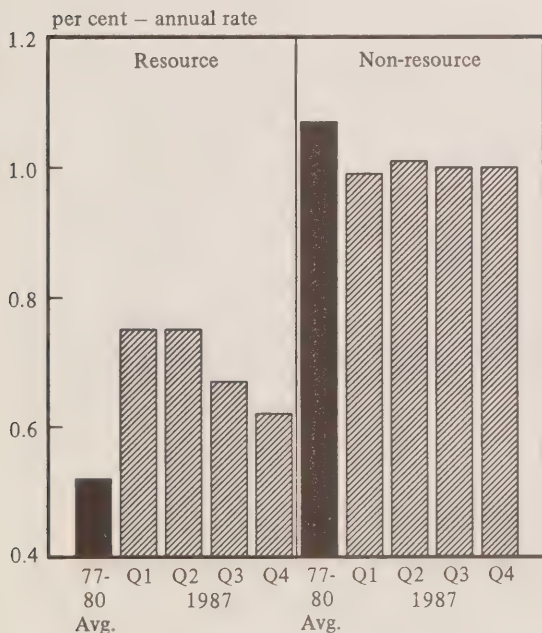
Internal Cash Flow to Investment of Large Industrial Corporations



The strong profit growth over the last year has allowed industrial corporations to finance investment outlays largely out of internal cash flow. In fact, internal cash flow before distribution of dividends has been greater than capital expenditures since the middle of 1986 and remained at one of its highest levels on record in the fourth quarter of 1987.

Chart 4.6

Debt-to-Equity Ratio of Large Industrial Corporations

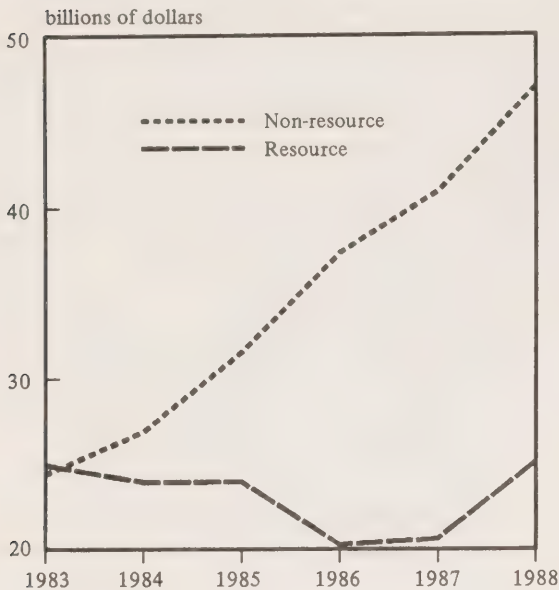


The debt-to-equity ratio of industrial corporations continued to decline in 1987, largely as a result of improvements in the resource sector. The decline in corporate leverage continued even in the fourth quarter after the October stock market plunge almost cut in half the value of new equity raised in the stock market. The continued improvement reflected the strong increases in cash flow that held back the growth in debt while adding to shareholders' equity through retained earnings.

The strong debt-to-equity position currently allows corporations to finance substantially more of their investment through debt if the need should arise.

Chart 4.7

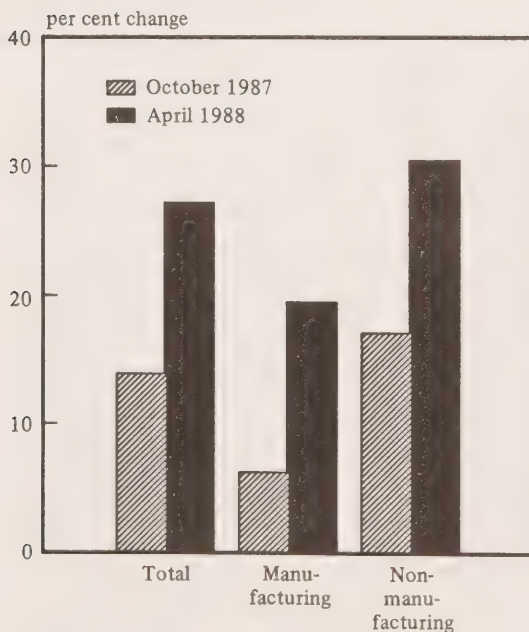
Nominal Business Non-Residential Investment Intentions (PPI Survey)



There are two broad surveys of investment intentions – Statistics Canada's Private and Public Investment (PPI) Intentions survey and the Department of Regional Industrial Expansion's (DRIE) Capital Investment Intentions survey. Reflecting the current favourable conditions for investment, businesses responding to the latest PPI survey (conducted from November 1987 to January 1988) indicated that they expect to increase nominal investment spending by 17.3% in 1988. The resource sector was expected to lead investment spending growth in 1988, with a 22% increase after declining throughout most of the recovery. The non-resource sector intends to continue to increase capital spending at a strong rate (14.9%) for the fifth year in a row.

Chart 4.8

DRIE Survey Nominal Business Investment Intentions

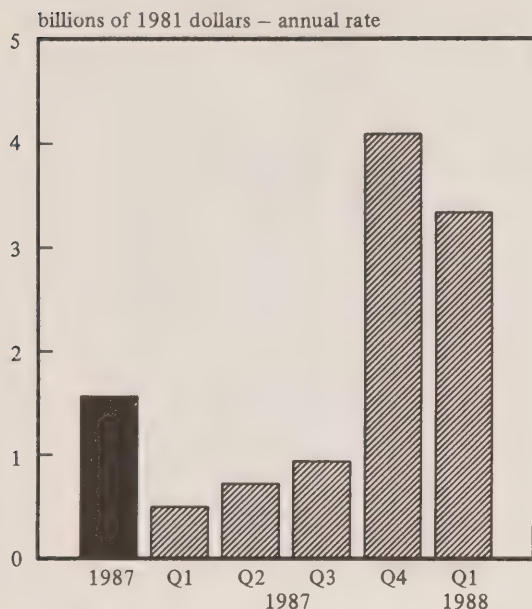


The DRIE survey covers large corporations and is therefore a somewhat more selective survey than the PPI. The sharp improvement in investment intentions in the DRIE April investment survey indicates that the investment outlook has improved further in recent months. In April, the large corporations surveyed by DRIE expected to increase nominal capital spending by 27.2% in 1988, compared to only 13.9% in the October 1987 survey. Large upward revisions occurred in all major industries. This improvement in the investment outlook is corroborated by the sharp improvement in the Conference Board's Index of Business Confidence in the first quarter of 1988 to its second highest level in history.

5. Business Inventories

Chart 5.1

Real Business Inventory Investment



After increasing sharply to \$4.1 billion (in 1981 dollar terms) in the fourth quarter, real business inventory investment declined slightly to \$3.3 billion in the first quarter of 1988 – more than double its average in 1987. This moderation in inventory investment reduced overall GDP growth by about 0.8% at annual rates.

Buoyed by a further strong increase in wholesale trade (particularly for lumber and industrial machinery and equipment products), non-farm inventories jumped to nearly \$5.5 billion during the quarter (Chart 5.2). Manufacturing inventories declined somewhat owing to a decumulation of autos and motor vehicle parts; the inventory stock of refined petroleum products also declined markedly as a result of rising foreign and domestic demand.

In the farm sector a sharp increase in wheat exports produced a significant decline in farm inventories.

Chart 5.2

Components of Real Business Inventory Investment

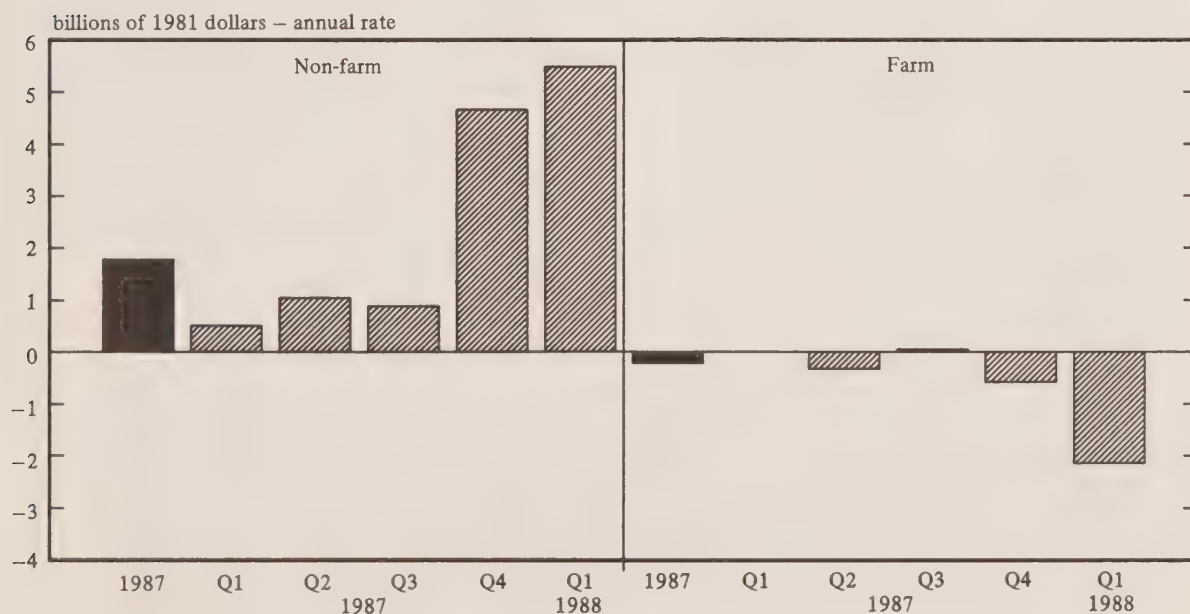
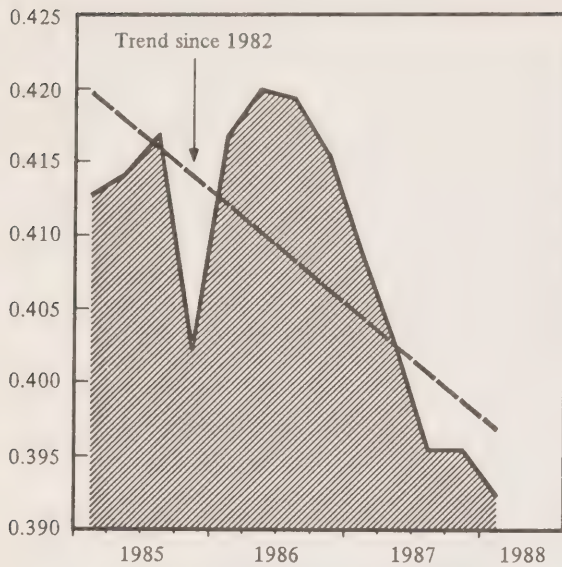


Chart 5.3

Business Inventory-to-Sales Ratio



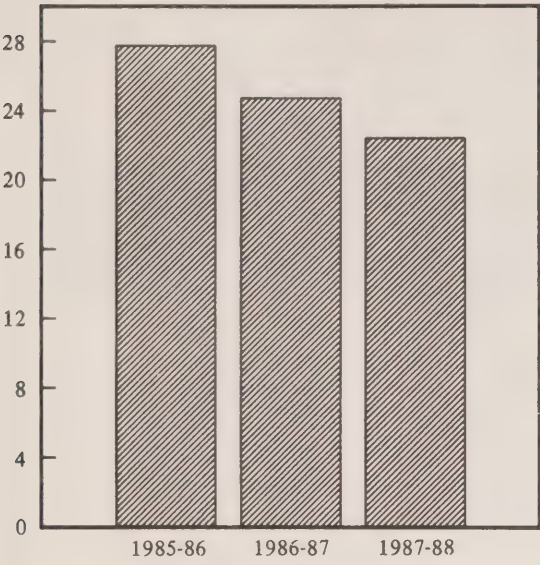
The overall business inventory-to-sales ratio remained below the downward trend that has been evident since the end of the 1982 recession. It appears that businesses have reduced their inventory stock from the high levels which prevailed at the beginning of the recovery and are now operating with levels of inventories close to their desired long-run inventories-to-sales ratio.

6. Government Sector

Chart 6.1

Federal Deficit (CIEA Basis – Fiscal Years)

billions of dollars – seasonally adjusted



The federal government deficit on a Canadian Income and Expenditure Accounts (CIEA) basis declined to \$22.4 billion (seasonally adjusted) in fiscal year 1987-88 from \$24.7 billion in 1986-87 and \$27.7 billion in 1985-86 (Chart 6.1). For 1987-88, expenditures rose 6.7% while revenues advanced 10.9% (Chart 6.2). Expressed as ratios to GDP, revenues rose from 18.4% in 1986-87 to 18.8% in 1987-88, expenditures fell from 23.3% to 22.8% while the deficit declined to 4.1% from 4.9%.

Continued restraint was evident in the modest 3.5% growth in spending on goods and services. More rapid expenditure growth was recorded for transfers to other levels of government, largely reflecting the impact of prior-year adjustments. The most pronounced increase, 14.1%, was in “other” spending, reflecting sharp increases in subsidies and growth in transfers to non-residents. The large advance in subsidies reflected increased payments to grain farmers. Revenue growth was led by increased direct taxes on persons, in part reflecting the impact of accelerated remittances, and higher indirect taxes.

Chart 6.2

Change in Federal Government Revenues and Expenditures in 1987-88 (CIEA Basis)

per cent – year over year

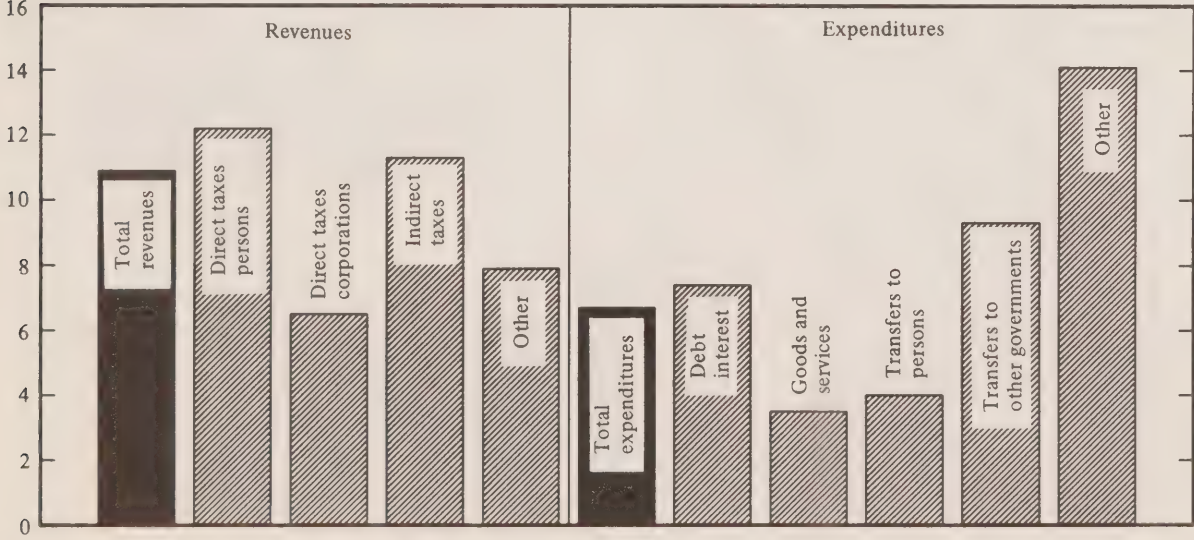
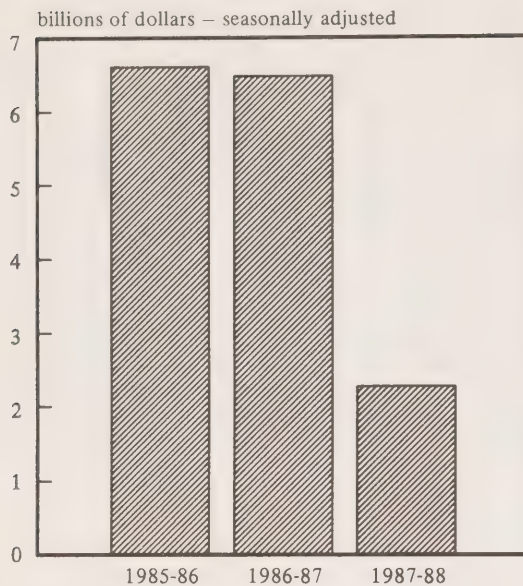


Chart 6.3

**Provincial-Local-Hospital
Sector Deficit
(CIEA Basis)**

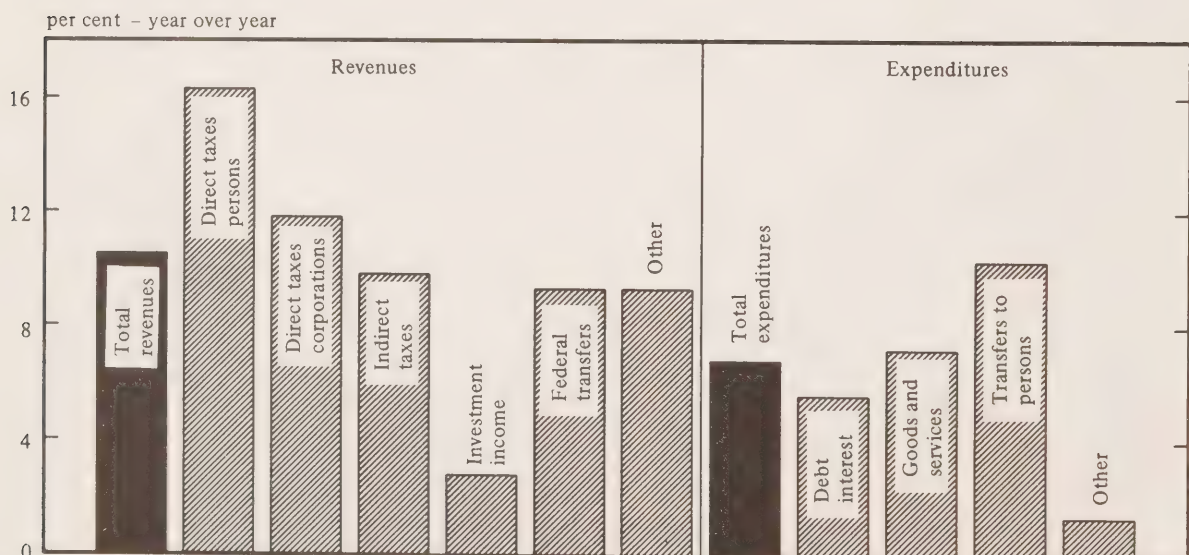


The consolidated provincial-local-hospital (PLH) sector deficit averaged \$2.3 billion in 1987-88 compared to \$6.5 billion in 1986-87 and \$6.6 billion in 1985-86 (Chart 6.3). In 1987-88, expenditures rose 6.8% while revenues were up 10.5% (Chart 6.4). As a per cent of GDP, expenditures fell from 26.2 to 25.8% while revenues rose from 25.0 to 25.4%, the deficit falling from 1.3 to 0.4%.

Expenditure growth in the PLH sector was led by transfers to persons (10.3%) and goods and services (7.2%). Revenue growth was led by direct taxes on persons (up 16.3%) and on corporations (up 11.8%). The growth in revenues was moderated by slow growth in investment income, reflecting the continued weakness in royalties, which in turn has followed from the weakness in oil and natural gas prices.

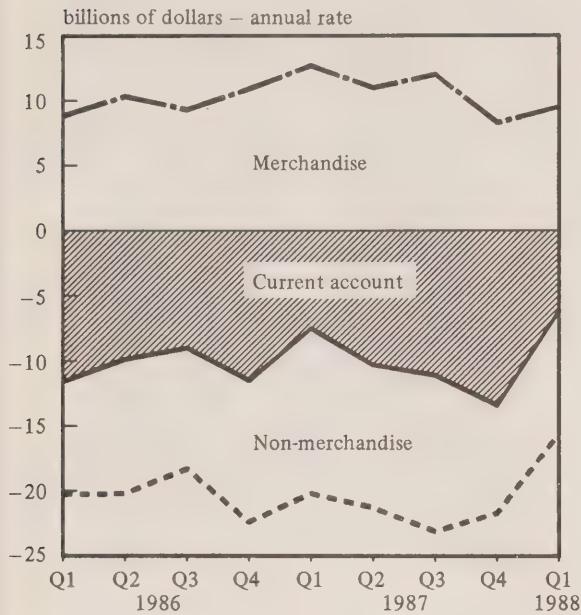
Chart 6.4

**Change in Provincial-Local-Hospital Sector
Revenues and Expenditures in 1987-88
(CIEA Basis)**



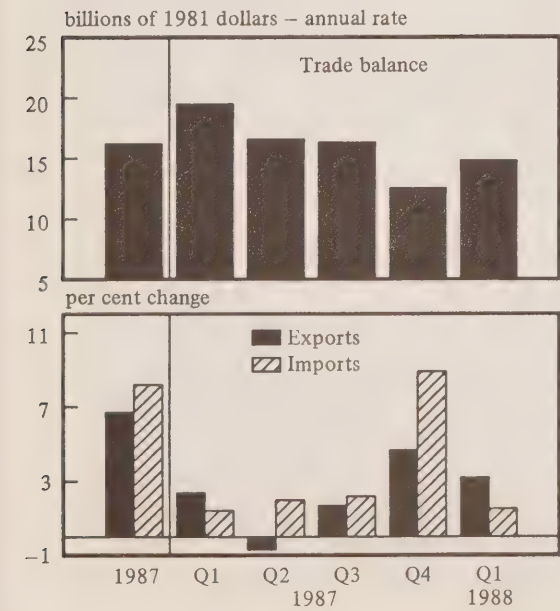
7. Foreign Trade

Chart 7.1
Current Account Balance



The current account deficit diminished to \$6.1 billion in the first quarter from \$13.4 billion in the previous quarter. The first quarter deficit is the lowest since the end of 1985. The improvement in the current account reflects in large part a substantial improvement in the non-merchandise trade balance. The non-merchandise trade deficit decreased by \$6.1 billion during the quarter to \$15.6 billion, reflecting higher dividend receipts from Canadian direct investment abroad and the positive impact of the Calgary Winter Olympics. The merchandise trade surplus increased by \$1.2 billion to \$9.5 billion in the first quarter. The trade balance for motor vehicles in particular rose sharply.

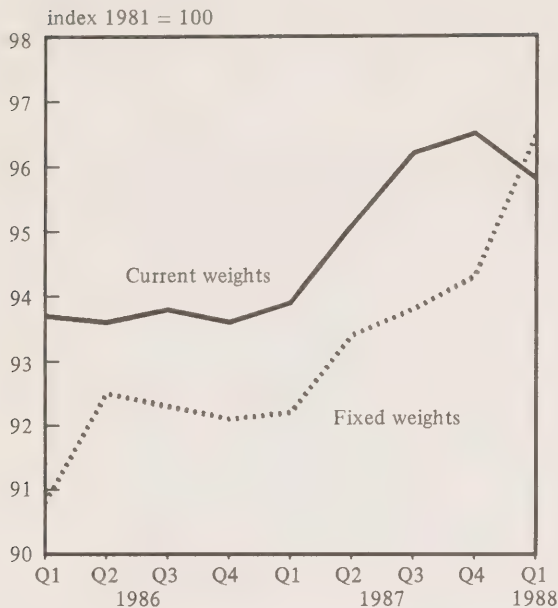
Chart 7.2
Real Merchandise Trade



After a sharp decline in the last quarter of 1987, the real merchandise trade surplus rebounded to \$14.8 billion in the first quarter. Merchandise exports continued to increase strongly while imports grew less quickly. Exports of motor vehicles, energy products and wheat were particularly strong during the quarter. The advance in imports reflects mainly a significant increase in imports of machinery and equipment due to the strong growth in investment.

Chart 7.3

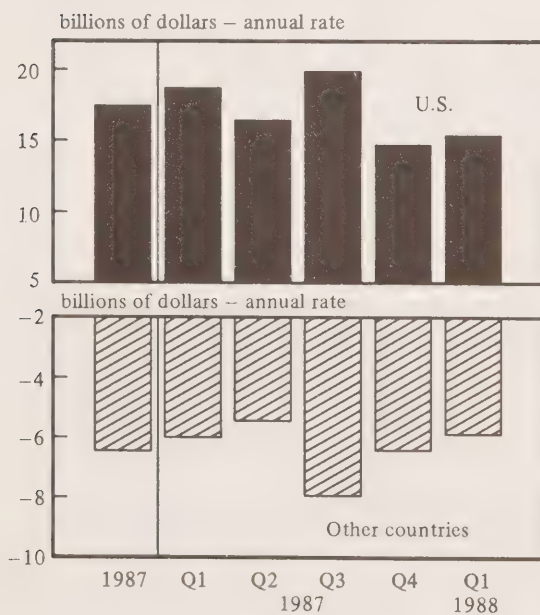
Merchandise Terms of Trade



After having risen in the previous four quarters, the merchandise terms of trade on a current-weight basis decreased by 0.6% (quarterly rate) in the first quarter. However, the terms of trade on a fixed-weight basis improved by 2.3%. This strong increase reflects the appreciation of the Canadian dollar and the continuing strength in certain commodity export prices. The difference between the fixed- and current-weight terms of trade in the first quarter is explained by weight shifts among the trade components, and in particular the increases in wheat and energy exports, which have relatively low prices as measured by the 1981-based indices.

Chart 7.4

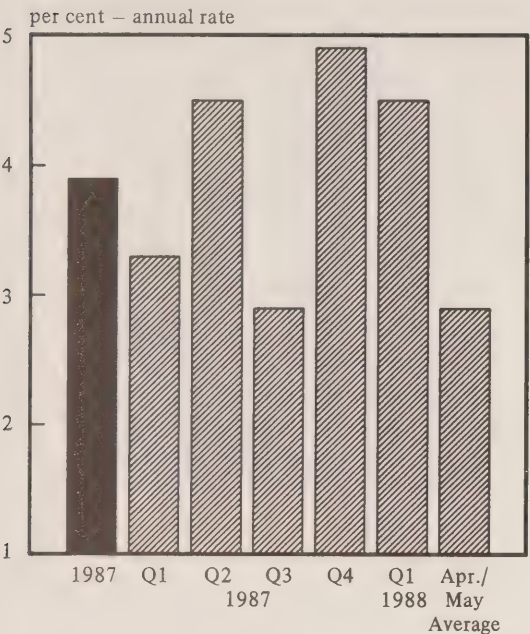
Merchandise Trade Balance with U.S. and Other Countries



The nominal merchandise trade balance improved with respect to both the United States and other trade partners. The trade surplus with the United States rose by \$0.7 billion to \$15.4 billion while the deficit with other countries dropped \$0.6 billion to \$5.9 billion. Since the near record deficit of \$7.9 billion with the countries other than the United States in the third quarter of 1987, the balance with these countries has improved by \$2.1 billion. Exports to these countries have risen 2 1/2 times more quickly than imports. Increased competitiveness of Canadian companies, stronger industrial production and higher demand for wheat in these countries account for the sharp increase in exports.

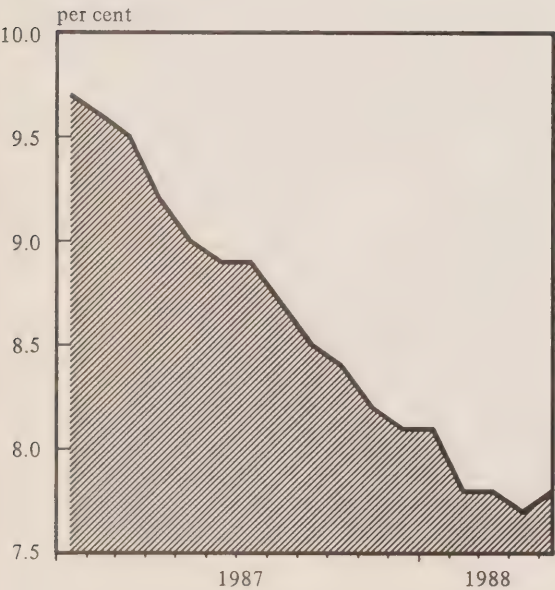
8. The Labour Market

Chart 8.1
Employment Growth



Employment growth momentum built up during 1987 carried forward into the first quarter of 1988, when the number of working Canadians grew at an annual rate of 4.5%. After a short pause in March and April, employment growth resumed in May with the strongest monthly gain in over 2 years.

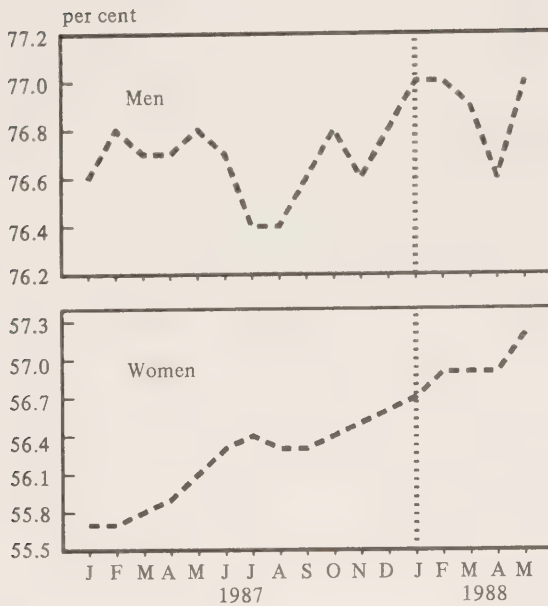
Chart 8.2
The Unemployment Rate
Since January 1987



The unemployment rate continued its downward trend, reaching 7.7% in April, the lowest level since August 1981. Although the unemployment rate rose slightly to 7.8% in May, the adult rate reached a 6-year low and the youth unemployment rate remained close to its lowest level in 13 years.

Chart 8.3

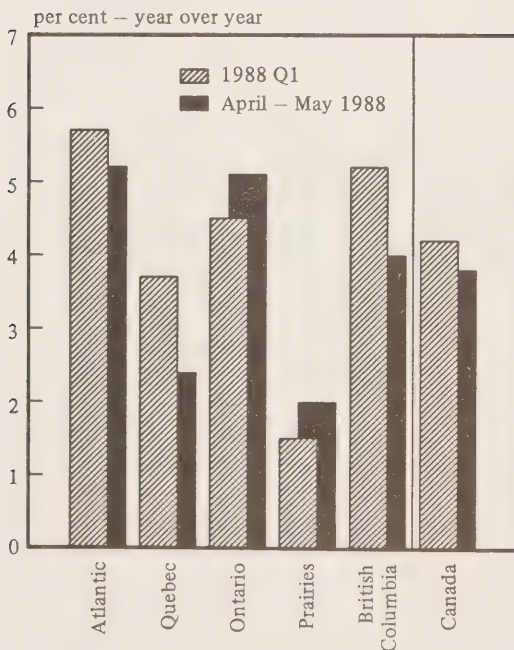
Participation Rates Men and Women



The job market was particularly buoyant in May, as strong employment growth contributed to the largest increases in the labour force in over 2 years. The labour force participation rate rose to a record 66.9% in May. This change in the overall rate was led by the change in the male participation rate as has been generally the case throughout last year. The female participation rate continued to rise in May to a historical high of 57.2%.

Chart 8.4

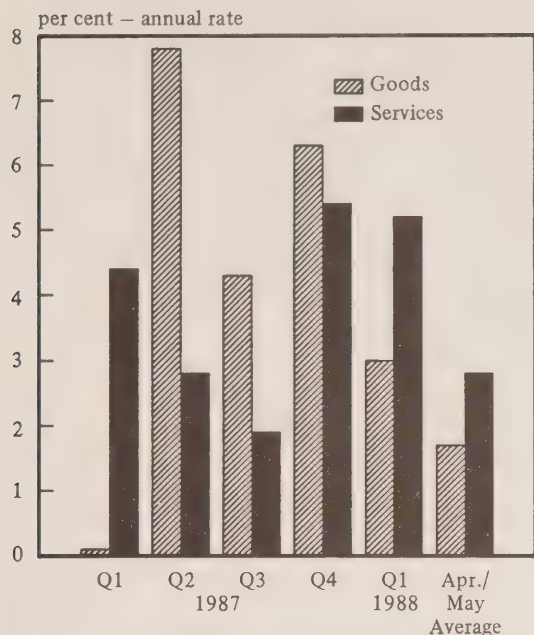
Regional Employment Growth



Recent declines in the unemployment rate have been accompanied by more balanced job growth dispersion across the country. Year-over-year employment growth rates were highest in the Atlantic provinces and British Columbia in the first quarter. The Atlantic provinces also led the way in April and May, followed by Ontario and British Columbia.

Chart 8.5

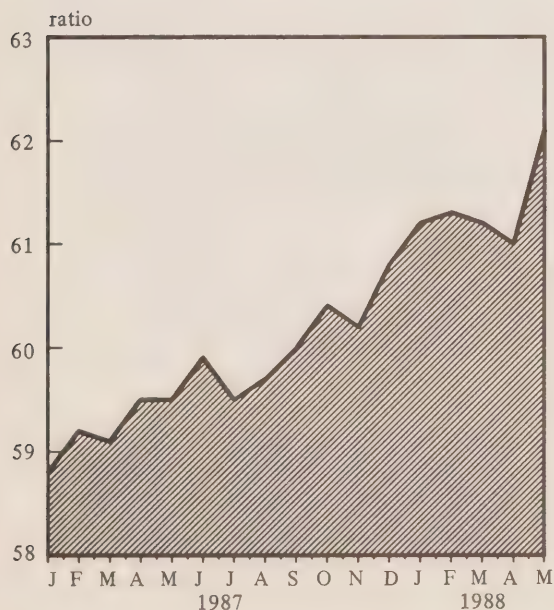
Growth in Employment in the Goods and Services Sectors



Employment increases were led by the services sector in the first five months of 1988, after lagging the rate of growth for goods-producing industries in the last three quarters of 1987.

Chart 8.6

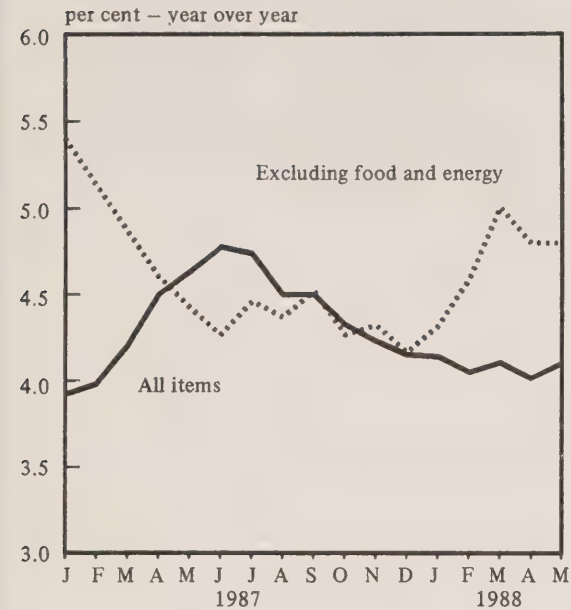
Youth Employment/Population Ratio Since January 1987



Growth in the services work force brought benefits to youth, the group which normally counts on this sector for employment. The relative success by youth in finding employment brought the proportion of Canadian youths with jobs to its highest level ever.

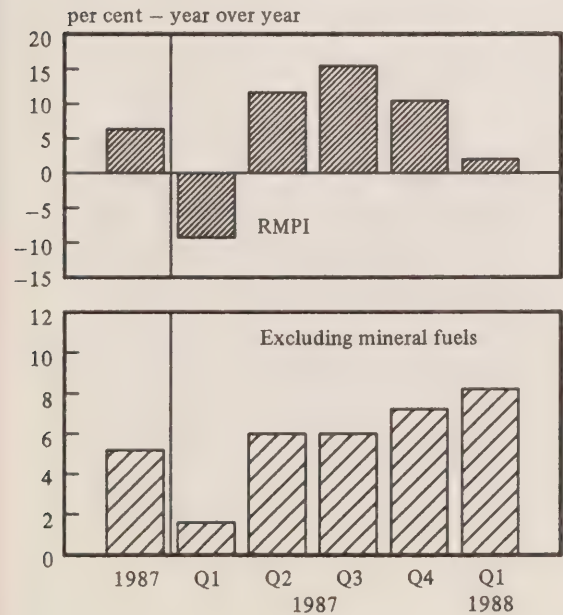
9. Price and Wage Sector

Chart 9.1
CPI Inflation Rate



The CPI year-over-year increase has remained at about 4.1% since the beginning of this year. This stability was largely attributable to moderate year-over-year increases in food and energy prices. In May, food prices were 2.0% higher than a year earlier and energy prices were 2.6% higher. The recent appreciation of the dollar has had a moderating influence on these price components in particular. The last two months' advances in energy prices were mostly the result of federal and provincial sales tax increases on gasoline. Excluding food and energy prices, the CPI posted sharp increases in the first quarter, rising to 5.0% (year-over-year) in March from 4.2% in December. In April and May the CPI excluding food and energy was 4.8% higher than a year earlier.

Chart 9.2
Change in Raw Materials Price Index

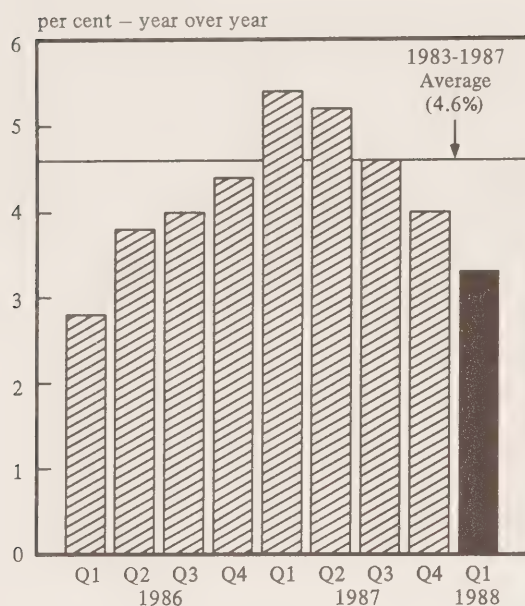


The level of the raw materials price index (RMPI) declined substantially during the last two quarters, but due to previous increases was up 2.0% year-over-year in the first quarter of 1988. Declining oil prices were responsible for the recent slowdown in the RMPI. Excluding mineral fuels, the RMPI rose throughout 1987 and in the first quarter of 1988 was 8.2% higher than a year earlier. Higher prices for wood and non-ferrous metals were the main contributors to the increase.

In April, the level of the RMPI declined further. Mineral fuels prices, which have dropped in seven of the last eight months, were 13.9% lower than a year ago. Excluding mineral fuels, the RMPI was up in April, bringing the year-over-year increase to 7.8%.

Chart 9.3

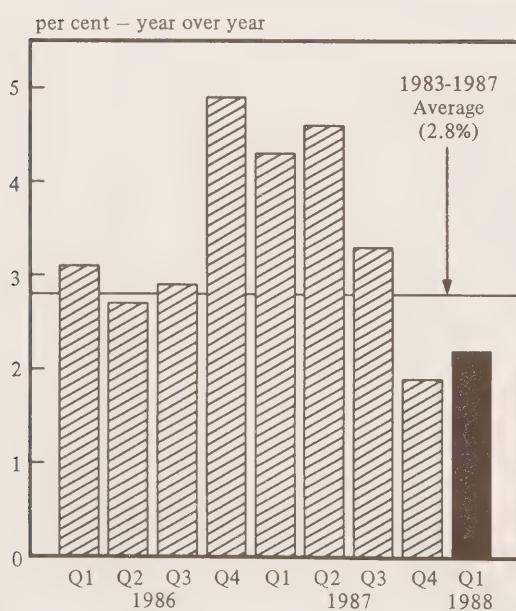
Change in Labour Income Per Employee



Growth in labour income per employee (year-over-year) has been decreasing in the last four quarters as employment grew strongly during the period (4.2%). Average labour income rose 3.3% in the first quarter, down from 4.0% in the previous quarter and 4.8% on average in 1987. This is also lower than the 4.6% average growth over the post-1982 recession period.

Chart 9.4

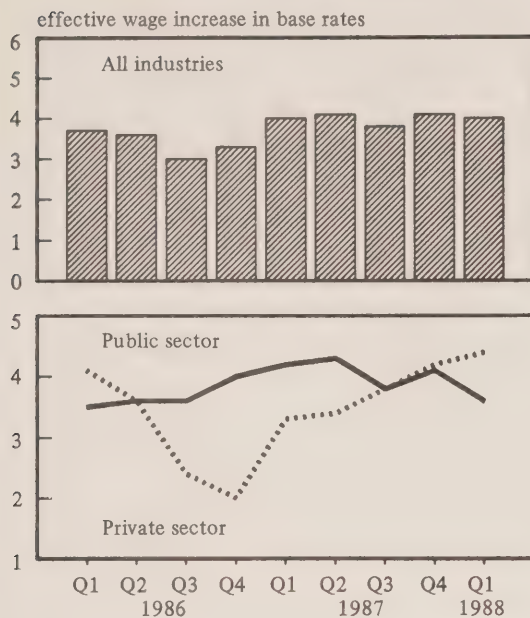
Change in Unit Labour Costs



Despite a 4.2% annual rate of increase in the first quarter, unit labour costs continued to be only modestly higher than a year earlier, at 2.2%. This is roughly the same increase as in the previous quarter and lower than on average over the 1983-1987 period. Labour productivity decreased by 1.0% (annual rate) in the first quarter due to the strength of employment growth.

Chart 9.5

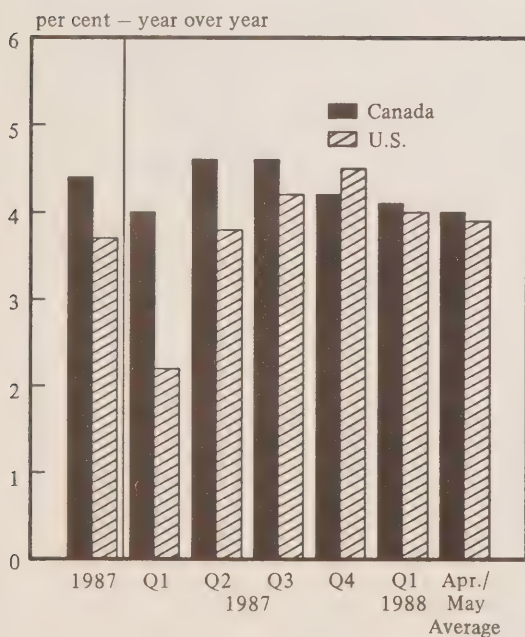
Wage Settlements (all agreements)



The effective increase in base wage rates (for collective agreements involving 500 or more employees) has remained relatively stable at 4% in the last five quarters. Public sector wage settlements in the first quarter declined to 3.7% from 4.1% in the previous quarter and 4.2% average in 1987. Private sector wage settlements in the first quarter increased for a fifth consecutive quarter to 4.4% from a low of 2.1% in the fourth quarter of 1986. In the first quarter of 1988, private sector settlements were heavily weighted by the 5% increase given to 61,900 construction workers in Quebec. Excluding Quebec construction workers, wage settlements in the private sector were at 3.8% average during the quarter.

Chart 9.6

Inflation in Canada and the U.S.

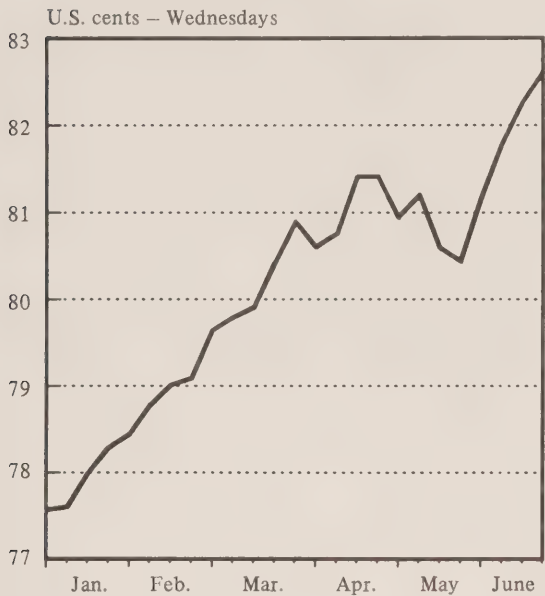


Price inflation, as measured by the CPI, recorded similar rates in Canada (4.1%) and in the United States (3.9%) during the first five months of 1988 reflecting opposite relative movements in food and energy prices. Food prices have risen more in the U.S. than in Canada (3.1% versus 2.0% respectively). Energy prices in Canada posted higher year-over-year increases than in the U.S., due partly to federal and provincial sales tax increases on gasoline in April and May.

10. Financial Sector

Chart 10.1

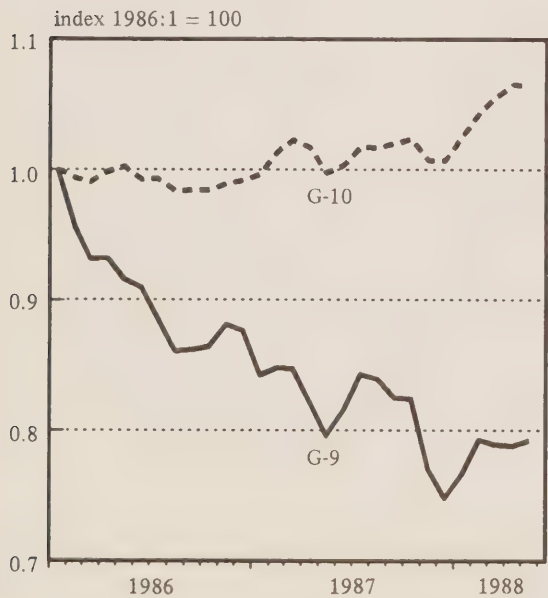
The Canadian Dollar Since January 1988
(Average Noon Value)



The Canadian dollar reached over U.S. \$0.83 in late June after a sharp increase in the previous months from its December 1987 closing value of U.S. \$0.77. In addition to favourable interest rate differentials, the strength of the Canadian dollar reflects growing confidence in Canadian economic performance and prospects.

Chart 10.2

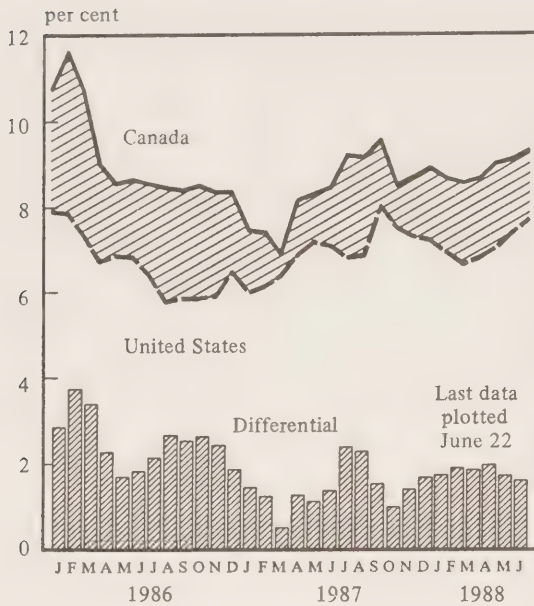
Canadian Exchange Rate



On a trade-weighted basis, the Canadian dollar has also appreciated since the beginning of the year. After trending down for almost three years, the value of the Canadian dollar has risen against G-9 currencies (G-10 currencies excluding the U.S.). So far this year, the Canadian dollar has risen 14% against the yen, 22% against the German mark and 18% against sterling.

Chart 10.3

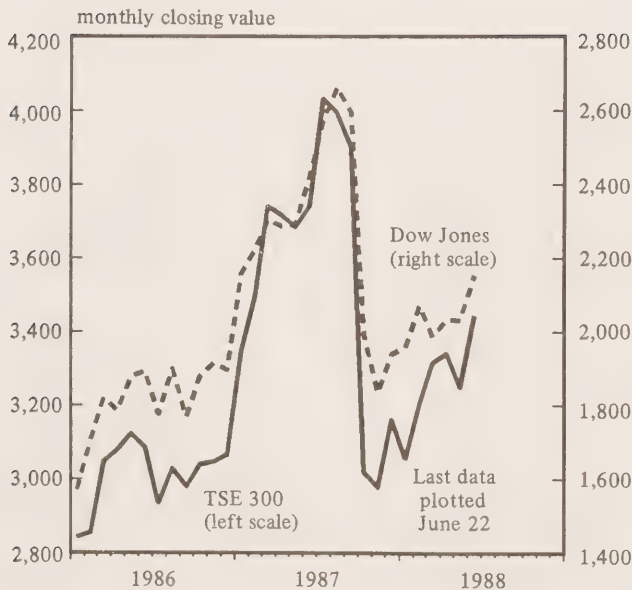
**90-Day Commercial Paper Rate
in Canada and the U.S.**



After having drifted down early in 1988, short-term interest rates began to rise in both Canada and the United States. The upward move in rates was in reaction to early indications that first quarter growth in North America would be stronger than had been expected and concerns about inflation pressures. While short-term rates remained fairly stable in May, long-term rates increased, foreshadowing the rise in short-term rates that has occurred since the beginning of June. The differential between Canadian and U.S. short-term rates, which ranged between 170 and 200 basis points in the first five months of the year, declined to 150 points in the second half of June.

Chart 10.4

**TSE Index and Dow Jones
Since January 1986**



Stock prices have been moving upward since February, following a decline during January. The TSE-300 index rose above 3400 in mid-June, up from 3160 at the end of 1987 while New York's Dow Jones Industrials Index is above 2100, up from 1939 at the end of last year. While neither of the stock market indexes has come close to fully recovering from the October 1987 international stock market plunge, both have recorded significant increases over the past 18-month period as a whole. The TSE and Dow Jones indexes have moved up around 10% from their end-of-1986 levels.

Special Report

Special Report

Movements in the Personal Savings Rate

Prepared by:

Joe Italiano

Economic Analysis and Forecasting Division
Fiscal Policy and Economic Analysis Branch
Department of Finance.

Views expressed in this special report represent those of the author and should not be attributed to the Department of Finance.

11. Movements in the Personal Savings Rate

Introduction and Summary

Significant increases in consumer spending have made an important contribution to overall economic growth in Canada since the 1981-1982 recession. From 1982 to 1987, real consumer spending growth of an average annual pace of 4.5% ran slightly ahead of growth in total real output. A considerable part of the strength in consumer spending over this period resulted from reductions in the personal savings rate. The personal savings rate was cut virtually in half between 1982 and 1987, from 17.8% to 9.6%, as consumers boosted real spending growth after the recession to more than twice the pace of real personal disposable income growth. In 1987 the savings rate was at its lowest level since 1972. The willingness of consumers to reduce their savings rate out of income is largely explainable by the recent strong performance of the Canadian economy, featuring lower interest rates, a lower unemployment rate and especially, a much lower inflation rate.

This special report examines historical movements in the personal savings rate in light of changes in these and other factors, with particular reference to developments since the 1981-1982 recession. The analysis suggests that the sharp decline in the savings rate during the past 5 years has brought the current rate into what could be considered a sustainable range. An implication is that, in future, consumer spending should grow roughly in line with disposable income.

The first section of the special report presents a decomposition of savings into contractual and discretionary savings. The next section discusses the evolution since the early 1960s of contractual and discretionary savings rates and the factors influencing them. The final section analyses the effects of inflation on the measurement of savings.

Savings and its Components

Personal savings are the amount of income that is not spent, paid in taxes, or transferred to businesses or abroad. The personal savings rate is defined as savings relative to personal income after taxes (disposable income).

Personal savings can be divided into two major components – contractual savings and discretionary savings. Contractual savings are the flows of savings having prior claim on personal income due to contractual arrangements and are largely influenced by long-term factors, such as demographic circumstances, tax laws, and institutional arrangements. Discretionary savings, which are the remaining portion of total personal savings, are affected more by cyclical factors, such as movements in unemployment, interest and inflation rates, and the degree of uncertainty generated by cyclical movements in the economy. Consequently, the contractual savings rate can be seen as an underlying or sustainable rate of savings with cyclical movements in the total savings rate reflecting mainly the variations in the discretionary savings rate.

No standardized measure of contractual savings (and thus of discretionary savings) is available due to a lack of appropriate data. Ideally, the measurement of contractual savings would include:

- contributions to insurance and registered pension plans (RPPs);
- earnings (not distributed or withdrawn) from the previously accumulated amount of assets held in pension and insurance plans; and
- the portion of regularly scheduled mortgage payments that goes to reduce the principal.

On the other hand, contractual savings would exclude voluntary contributions to registered retirement savings plans (RRSPs)⁽¹⁾. In this

(1) As well, the ideal measurement of contractual savings should include earnings on registered homeownership savings plans (RHOSPs) but exclude any initial voluntary contributions to insurance and pension plans.

Chart 11.1

The Personal Savings Rate

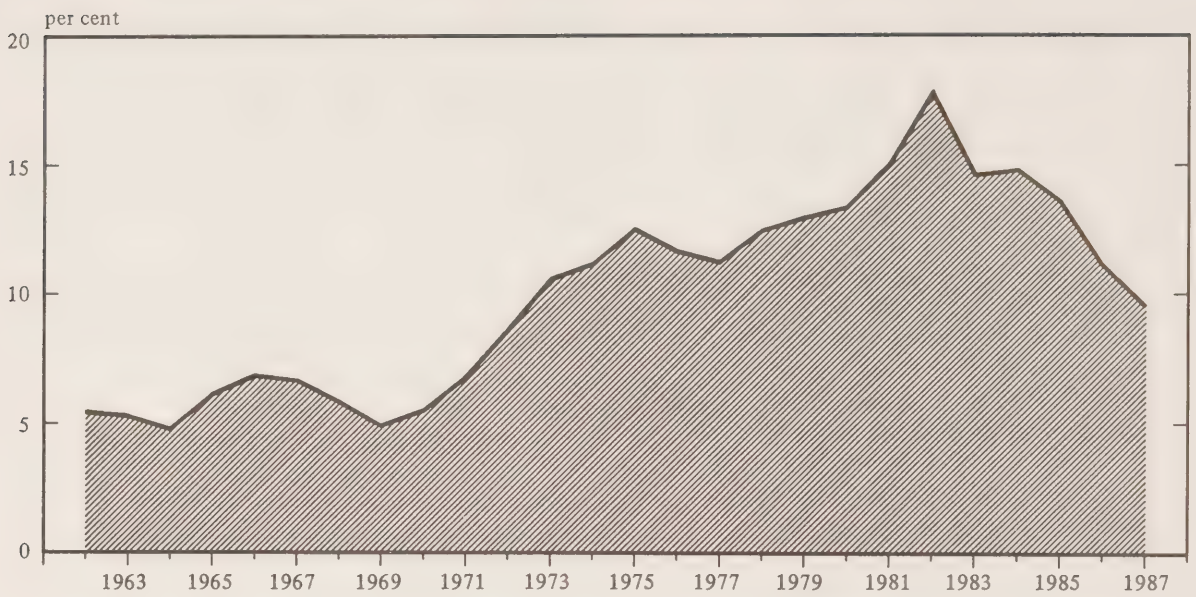
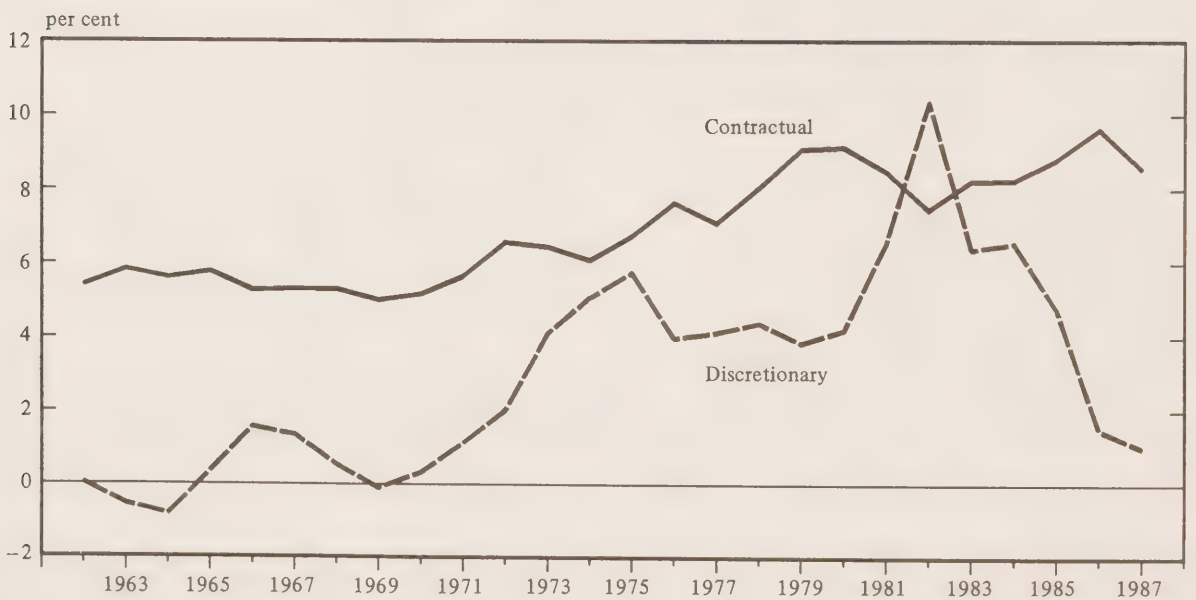


Chart 11.2

Contractual and Discretionary Savings Rates



report, contractual savings are measured as contributions to life insurance and pension liabilities of insurance companies and pension funds plus 4% of average annual outstanding mortgages held by the personal sector⁽²⁾ (as a very rudimentary measure of payments against outstanding mortgage debt). Discretionary savings are the remaining portion of total personal savings.⁽³⁾

Evolution of the Contractual and Discretionary Savings Rates

The contractual savings rate has not been constant over time but has displayed considerably more stability than the discretionary savings rate (Charts 11.1 and 11.2). The contractual savings rate was quite stable from 1962 to 1971 (moving between 5.0% and 5.8%), trended upward during the 1970s, dropped in the 1981-1982 recession, and then resumed its upward trend, rising to its peak level of 9.6% in 1986. The contractual savings rate in 1987 was estimated at 8.6%.

The discretionary savings rate showed a clear upward trend from the early 1960s until 1982, but it was noticeably more cyclical than the contractual savings rate. Since 1982, the discretionary savings rate has declined sharply, reaching 1.0% in 1987, a level well below its estimated peak of 10.4% in 1982.

The present low level of the discretionary savings rate, however, is not unprecedented. From 1962 to 1971, the annual discretionary savings rate never rose above 1.6% and was negative in three of those years. During those 10 years, the overall savings rate varied in a narrow range from 4.8% to 6.8% while the contractual savings rate varied from 5.0% to 5.8%. The present level of the discretionary savings rate is consistent with recent cyclical

developments (discussed later). In addition, the rise in the contractual savings rate probably has enabled the personal sector to reduce the level of its discretionary savings rate because of substitutability between contractual and discretionary savings. For example, an individual could consider the funds placed in a life insurance policy as adequate for emergency purposes, reducing the need to hold emergency funds elsewhere. Also, an increase in contractual pension savings could reduce the need to accumulate discretionary savings for retirement. However, the degree of substitutability between the two probably is limited. When contractual savings are placed in forms that are not readily accessible,⁽⁴⁾ the decline in discretionary savings may not be dollar for dollar with the rise in contractual savings and an increase in overall savings may result.

Factors Causing the Upward Trend in the Contractual Savings Rate

Longer-term factors, such as demographic and institutional developments, influence the contractual savings rate. The aging of the Canadian population has been an important cause of the upward trend in the contractual savings rate, as the progression of “baby-boomers” through the life-cycle has resulted in a larger percentage of the population in the high-income, high-net savers groups. The share of the population aged 35 to 64 years increased from 30.4% in 1971 to 33.9% in 1987, while the share aged 35 to 44 years increased from 11.7% to 14.7%.

This aging development has affected the contractual savings rate in at least two important ways. First, with an increasing share of the population in the house-owning stage of life, the levels of mortgage debt, payments against outstanding mortgages, and thus contractual savings have increased substantially.

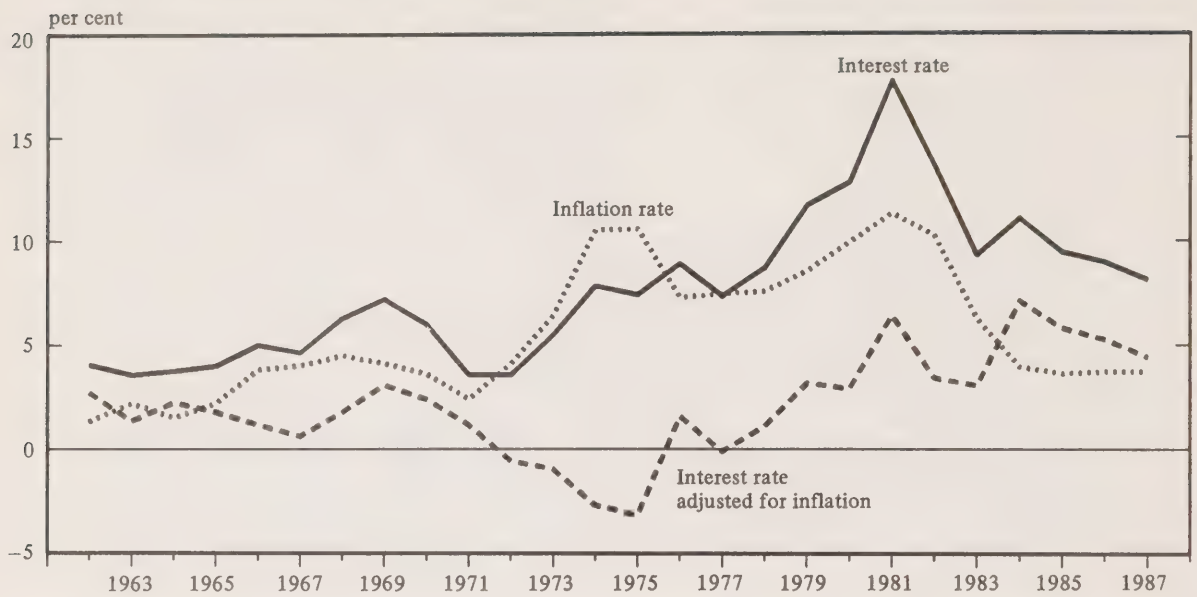
(2) The data used to measure contractual savings are included in the National Balance Sheet published by Statistics Canada. The 4% measure for mortgage repayments was selected by assuming that 25 years is the normal amortization period and that outstanding mortgages are evenly distributed over time.

(3) Total personal savings include the value of physical change in farm inventories, a small item. This item ends up being included in discretionary savings.

(4) In this case, accessibility refers to the ease of conversion into cash, the level of transactions costs to do so, and the risk of a capital loss in doing so.

Chart 11.3

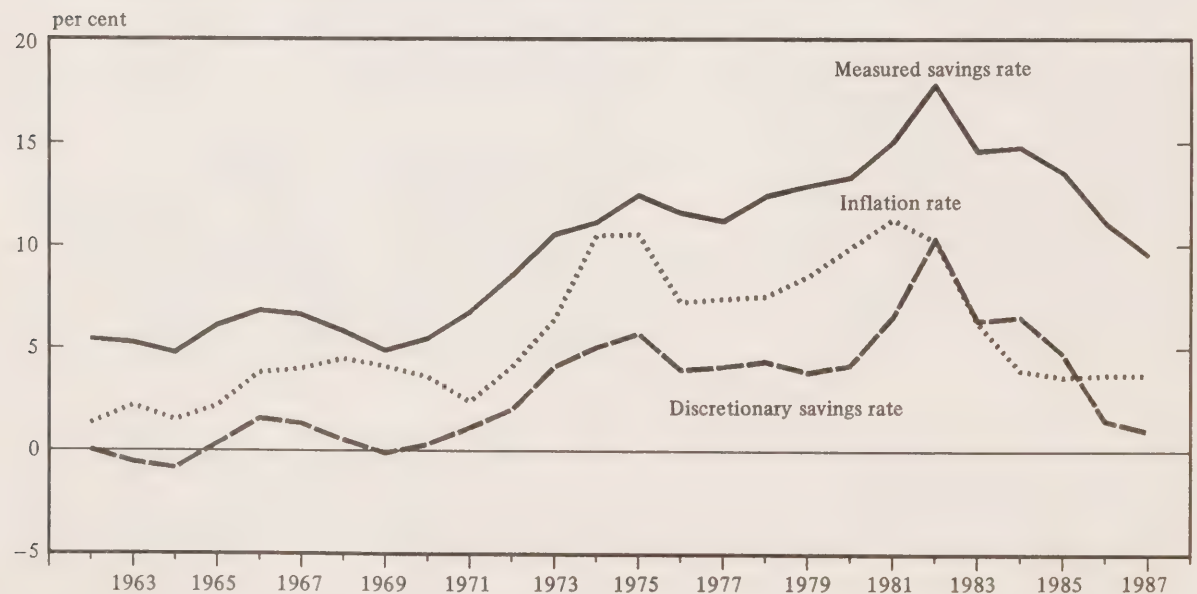
Interest and Inflation Rates



Note: The 3-month treasury bill rate was used for the interest rate while the consumer expenditure implicit price index was used for the inflation rate.

Chart 11.4

Total Measured and Discretionary Savings Rates and the Inflation Rate



Note: Using the consumer expenditure implicit price index.

Second, a strong desire for increased contractual savings in the form of pension plans has developed. Indeed, the desire for improved pension plans “at work” often has been a major issue in labour negotiations over the last decade and a half. This resulted in a widening of pension plan coverage and thus a rise in the contractual savings rate. The percentage of employed paid workers who were in employer-sponsored pension plans (private and public) increased from under 35% in 1960 to over 45% in the 1980s.

Tax changes also have encouraged the movement to increased pension contributions. In 1974 and 1976, tax regulations regarding pension plans (both RPPs and RRSPs) were altered, effectively raising the tax-deductible contribution limits on these assets.⁽⁵⁾ As a result of these tax regulations, pension contributions yield higher after-tax and after-inflation rates of return compared to other similar assets.⁽⁶⁾ This has induced a substitution away from other forms of savings and likely also encouraged higher overall savings.

Cyclical Factors Affecting the Discretionary Savings Rate

The major factors believed to produce movements in the discretionary savings rate are changes in the real rate of return (the rate of return after inflation and taxes have been taken into account) and changes in the level of uncertainty about the future course of economic developments. Real rates of return are determined by nominal interest rates, the inflation rate, tax treatment and other institutional circumstances.

From 1975 to 1981, interest rates rose faster than the inflation rate, increasing substantially the real rate of return on savings (Chart 11.3) and

thus enhancing the incentive to save. There were also legislative changes that tended to raise the rate of return. In 1974, a \$1,000 investment income deduction was allowed for tax purposes, raising the after-tax rate of return on personal investments. The introduction of registered homeownership savings plans (RHOSPs) in 1974 created an asset with an increased after-tax rate of return.⁽⁷⁾ Other institutional changes since 1962 also have helped to increase rates of return to the personal sector. These include: the introduction of more flexible interest-earning savings vehicles, such as daily-interest savings accounts, and greater access to certain other interest-earning savings vehicles, such as Government of Canada Treasury Bills.

The factors that had raised rates of return and the discretionary savings rate in the last half of the 1970s and early 1980s have been winding down in recent years. Since 1984, real interest rates have declined. In 1985, RHOSPs were eliminated. Also, inflation has reduced the real value of the \$1,000 investment income deduction and pension plan deductions. These developments, by lowering the after-tax and after-inflation rate of return, have reduced the incentive to save. Effective with the 1988 taxation year, the \$1,000 investment income deduction has been discontinued.

Uncertainty caused by rising unemployment, high interest rates and high inflation also can increase savings, and particularly discretionary savings, to provide precautionary amounts for emergencies or for temporary losses of income. The upward movements in unemployment, inflation and interest rates until the 1981-1982 period (the unemployment rate peaked in 1982 while interest rates and the inflation rate peaked in 1981) undoubtedly increased uncertainty, leading to higher precautionary savings and a higher discretionary savings rate.⁽⁸⁾ The downward trend in these variables since then, by

(5) In addition to contributions being tax deductible, interest earned on these assets is not considered as part of taxable income.

(6) It is generally accepted (but difficult to verify empirically) that savings are positively related to the rate of return.

(7) Individuals who had never owned a house were allowed to contribute \$1,000 per year and \$10,000 in a life-time (later limited to 20 years) into certain types of accounts for the purpose of buying a home. These contributions were tax-deductible while interest-earnings on the contributions were tax-exempt.

(8) Increases in unemployment should reduce the savings rate of those who lost their jobs since they would be using credit and/or previously accumulated wealth in order to continue to spend. However, a rise in the unemployment rate by causing an increase in uncertainty among those still employed is believed to raise the level of precautionary savings. As well, changes to the Unemployment Insurance regime can have an effect. The reforms in 1971 that improved benefits and broadened coverage could have reduced the desire for precautionary savings. Changes that have tightened the regime since then could have partially restored the desire for precautionary savings.

Chart 11.5

The Savings Rate: Measured and Inflation-Adjusted

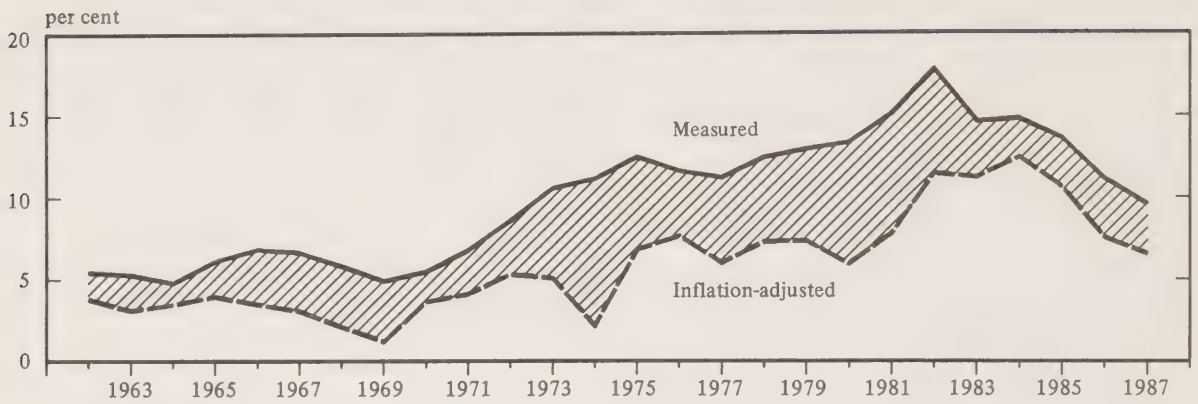


Chart 11.6

Measured and Inflation-Adjusted Contractual Savings Rates

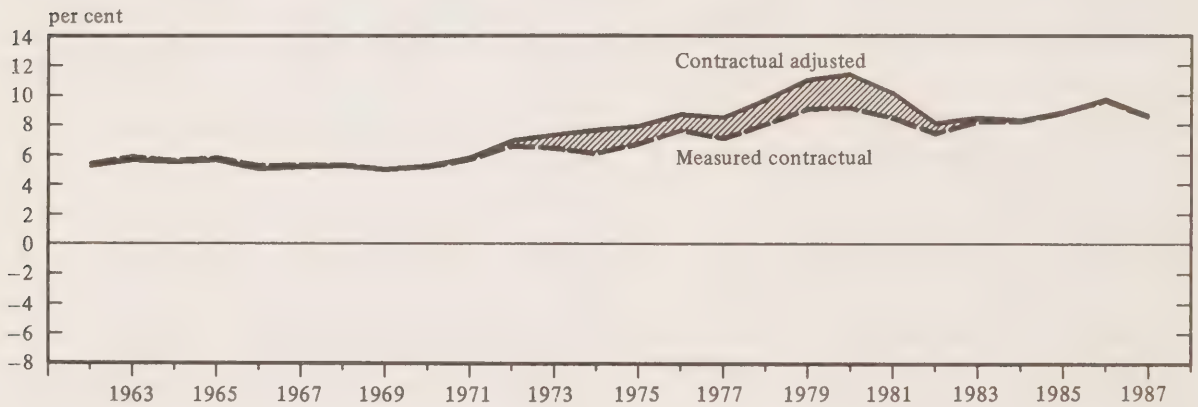
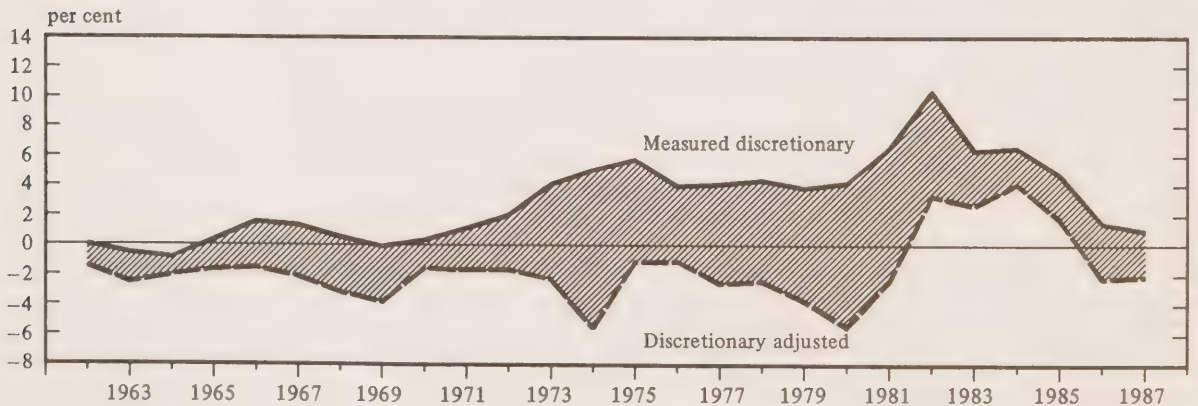


Chart 11.7

Measured and Inflation-Adjusted Discretionary Savings Rates



reducing uncertainty, has reduced the need for precautionary savings and lowered the discretionary savings rate.

Inflation and the Personal Savings Rate

Perhaps the most important factor in the rise in the personal savings rate in the 1970s and early 1980s and in its decline since 1982 has been the rise and fall of inflation. The methodology in the Canadian Income and Expenditure Accounts follows internationally accepted procedures for measuring the nominal flows of income and savings out of personal income. However, this measure of savings includes a component that does not add to the stock of wealth but rather merely compensates for inflation-induced reductions in the purchasing power of existing assets denominated in nominal terms. To have savings reflect additions to wealth, it is necessary to adjust measured savings by eliminating the component that compensates for the impact of inflation.

When prices are rising, lenders demand a premium (through higher interest rates) to compensate for the loss of purchasing power of existing assets. Because the personal sector is a large net creditor, measured personal savings and income include these premiums. Thus, during inflationary periods, the personal sector retains an increased level of funds in savings vehicles and this is captured in the Canadian Income and Expenditure Accounts. The higher the inflation rate, the greater the inflation premium included in interest payments, and the greater the measure of savings.

The elimination of the inflation premiums from measured savings would yield a level of savings that more closely quantifies changes in the stock of wealth. For creditors such as the personal sector, the measured savings rate exceeds savings rates adjusted for inflation.⁽⁹⁾ The higher the inflation rate, the greater the difference. This difference increased throughout most of the 1970s and the early 1980s as the inflation rate

increased. Since 1982, this difference has decreased with the declining inflation rate, and this has been responsible for a substantial part of the decline in the measured personal savings rate. Chart 11.4 shows the strong correlation between the inflation rate, the measured savings rate, and the discretionary savings rate. It suggests that discretionary savings were used in large part to restore and maintain the value of assets eroded by inflation.

The Inflation-Adjusted Savings Rate

An inflation-adjusted rate has been calculated by adjusting disposable income and savings by the full impact of inflation on the real value of the financial wealth of the household sector. Chart 11.5 shows movements in the measured savings rate and an inflation-adjusted savings rate.

The inflation-adjusted savings rate did not show any upward trend until after 1974. In the following years, it rose to a peak in 1984 before declining to its 1987 level. The difference between the two measures in Chart 11.5 shows the impact of inflation on the savings rate. These results suggest that inflation may have been the single most important factor influencing movements in the savings rate in the last 20 to 25 years. At times, the difference between the adjusted and unadjusted savings rates was substantial. The effect of inflation accounted for over 40% of the measured savings rate in the 1962 to 1987 period. With the decline in the inflation rate, the degree of inflation adjustment for the period 1982 to 1987 (about 27%) has been below the average for the 1962 to 1987 period.

The inflation-adjusted contractual savings rate is very similar in nature and magnitude to its unadjusted measure (Chart 11.6). The reason for this is that in terms of *net contractual* financial assets (but not in total financial assets) the personal sector is close to a balanced position between being a net borrower or net lender, with contractual assets (such as pension and insurance holdings) closely matching contractual

(9) For debtors, the measured savings rate is less than adjusted savings rates while the difference between measured and adjusted rates for those who are neither creditors nor debtors is likely to be small.

liabilities (such as mortgage debt). Thus, the inflation-adjusted contractual savings rate has shown the same upward trend evident in the unadjusted series. In contrast, the inflation-adjusted discretionary savings rate has shown considerable cyclical movements (peaking in 1984) and no noticeable trend (Chart 11.7). It has been for the most part negative except for the 1982-1985 period. In 1987, the inflation-adjusted discretionary savings rate was negative, at -2.1%. As with the unadjusted discretionary savings rate, this level should not be considered as either unprecedented or unexpected.

Conclusion

Presently, total personal savings are largely contractual in nature, with the discretionary savings rate at a low level (and the inflation-

adjusted discretionary savings rate near its average value since 1962). Demographic circumstances suggest that contractual savings (in the form of pension plan contributions and mortgage payments) are unlikely to diminish in the near term, and so the contractual savings rate is unlikely to move back to the much lower levels that prevailed in the 1960s and early 1970s. The current low level of the discretionary saving rate is explainable by the favourable recent economic performance in Canada. With Canada's good prospects for sustained economic growth in an environment of low inflation, the current level of the discretionary savings rate should be sustainable. This suggests that consumer spending growth should be in line with income growth with future changes in the savings rate likely to be much less pronounced than in recent years.⁽¹⁰⁾

(10) This study uses annual levels of the savings rate. Quarterly measures of the savings rate have been distorted by large subsidy payments from government to the grain sector and by changes in the timing of tax collections. To the extent that these special factors continue to affect the savings rate, the quarterly values may continue to be more volatile than implied by the conclusions to this study that are applicable to the smooth annual data.

CAI

FN

- E/6

Quarterly Economic Review

**Annual
Reference
Tables**

June 1988

Canada

Quarterly Economic Review

**Annual
Reference
Tables**

June 1988



Department of Finance
Canada

Ministère des Finances
Canada

Cette publication est également offerte en français

Preface

The Reference Tables provide annual data series on the main economic, fiscal and financial aggregates over the past few decades.

The information contained in the majority of the tables is as provided in Statistics Canada's *Canadian Socio-Economic Information Management System* (CANSIM) on June 30, 1988. Most data series are periodically revised and users should refer to indicated sources for more up-to-date information.

A substantial amount of developmental work was necessary in producing the first issue of the Reference Tables last year, involving computerization and database management. The management of the database was further improved this year. For queries on computerization and database management, please call Erik O. Hansen (613 992-3603). For other information or clarifications, please call Michael Kennedy (613 996-0336) or Guy Beaupré (613 992-1034), Economic Analysis and Forecasting Division, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Content

Population

1	Population in Canada, the Provinces and the Territories, at June 1st.....	1
1.1	Change in Population in Canada, the Provinces and the Territories.....	2
1.2	Distribution of Population among Provinces and the Territories	3
2	Demographic Developments	4

Income and Expenditure Accounts

3	Gross Domestic Product, Expenditure Based	5
3.1	Change in Gross Domestic Product, Expenditure Based	6
4	Gross Domestic Product at 1981 Prices, Expenditure Based	7
4.1	Change in Gross Domestic Product at 1981 Prices, Expenditure Based	8
5	Structural Changes in Demand	9
6	Structural Changes in Demand, in Real Terms	10
7	Gross Domestic Product at Market Prices, Canada and Provinces	11
7.1	Change in Gross Domestic Product at Market Prices, Canada and Provinces	12
7.2	Distribution of Gross Domestic Product at Market Prices by Province	13
8	Gross Domestic Product Per Capita, Canada and Provinces	14
8.1	Change in Gross Domestic Product Per Capita, Canada and Provinces	15
8.2	Gross Domestic Product Per Capita by Province Relative to the Canadian Average	16
9	Gross Domestic Product, Income Based	17
9.1	Change in Gross Domestic Product, Income Based	18
10	Reconciliation of Gross Domestic Product at Market Prices, Gross National Product at Market Prices and Net National Income at Factor Costs	19
10.1	Change in Components of Reconciliation of Gross Domestic Product at Market Prices, Gross National Product at Market Prices and Net National Income at Factor Cost	20
11	Structural Changes in Income (Distribution of Gross Domestic Product, by Income Components)	21
12	Structural Changes in Net Domestic Income (Distribution of Net Domestic Income, by Components)	22
13	Sources and Disposition of Personal Income	23
13.1	Change in Sources and Disposition of Personal Income	24
14	Structural Change in the Sources and Disposition of Personal Income	25
15	Personal Income, Canada and Provinces	26
15.1	Change in Personal Income, Canada and Provinces	27
15.2	Distribution of Personal Income by Province	28
16	Personal Income Per Capita, Canada and Provinces	29
16.1	Change in Personal Income Per Capita, Canada and Provinces	30
16.2	Personal Income Per Capita by Province Relative to the Canadian Average	31

Components of Expenditures

17	Value of Retail Trade, Canada and Regions.....	32
18	Private and Public Investment in Canada.....	33
19	Structure of Private and Public Investment by Industry in Canada.....	37
20	Private and Public Investment by Region, Capital Expenditures.....	41
21	Business Non-Residential Construction, Capital Expenditures	42
21.1	Change in Business Non-Residential Construction, Capital Expenditures.....	43
22	Business Capital Expenditures by Region	44
22.1	Change in Business Capital Expenditures by Region	45
23	Dwelling Starts, Completions and Under Construction.....	46
24	Dwelling Starts and Completions, by Type	47

Labour Market

25	Main Components of the Labour Market	48
25.1	Change in Main Components of the Labour Market.....	49
26	Labour Force and Employment by Sex and Age Groups	50
27	Participation and Unemployment Rates by Sex and Age Groups	51
28	Participation Rates, Canada and Regions.....	52
29	Labour Force, Canada and Regions	53
29.1	Change in Labour Force, Canada and Regions.....	54
30	Employment, Canada and Regions.....	55
30.1	Change in Employment, Canada and Regions	56
31	Unemployment, Canada and Regions	57
32	Unemployment Rates, Canada and Regions	58
33	Employment by Industry	59
33.1	Change in Employment by Industry	60
34	Unemployed Persons by Family Status, Canada	61
35	Help-Wanted Index, Canada and Regions	62
36	Time Lost in Work Stoppages by Industry	63

Productivity and Costs

37	Productivity and Costs, Business Sector Non-Agricultural Industries	64
37.1	Change in Productivity and Costs, Business Sector Non-Agricultural Industries.....	65
38	Productivity and Costs, Business Sector Non-Agricultural Goods-Producing Industries....	66
38.1	Change in Productivity and Costs, Business Sector Non-Agricultural Goods-Producing Industries.....	67
39	Productivity and Costs, Business Sector Services-Producing Industries	68
39.1	Change in Productivity and Costs, Business Sector Services-Producing Industries	69
40	Productivity and Costs, Manufacturing Industries.....	70
40.1	Change in Productivity and Costs, Manufacturing Industries	71
41	Effective Increase in Base Wage Rates By Industry (all agreements).....	72
42	Effective Increase in Base Wage Rates By Jurisdiction Total Sector - Public Sector - Private Sector.....	73

Prices

43	Gross Domestic Product Implicit Price Indexes.....	76
43.1	Change in Gross Domestic Product Implicit Price Indexes	77

44	Consumer Price Indexes: Standard Classifications	78
44.1	Change in Consumer Price Indexes	79
45	Consumer Price Indexes: Reclassified by Goods and Services	80
45.1	Change in Consumer Price Indexes Reclassified by Goods and Services	81
46	Consumer Price Indexes: Standard Classification by Main Cities	82
46.1	Change in Consumer Price Indexes: Standard Classification by Main Cities	83
47	Energy Prices	84
47.1	Change in Energy Prices	85
48	Other Price Indexes	86
48.1	Change in Other Price Indexes	87

Government Sector

49	Total Government Revenues	88
50	Total Government Expenditures	89
51	Federal Government Revenues	90
52	Federal Government Expenditures	91
53	Federal Government Debt	92
54	Federal Government Debt Relative to GDP	93
55	Provincial Government Revenues	94
56	Provincial Government Expenditures	95
57	Local Government Revenues	96
58	Local Government Expenditures	97
59	Hospital Revenues and Expenditures	98
60	Federal Government Liabilities and Assets	99
61	Provincial and Local Government and Hospitals Liabilities and Assets	100
62	Government of Canada Statement of Financial Transactions (Fiscal year ended March 31)	101
63	Government of Canada Liabilities and Assets, Public Accounts Presentation (Fiscal year ended March 31)	105
64	Fiscal Impulse Measure (Change in Structural and Primary Structural Budget Balances) ..	106

Balance of Payments

65	Summary of Balance of Payments	107
66	Balance of Payments with the United States	108
67	Balance of Payments with the Rest of the World	109
68	Merchandise Trade Detail: Exports	110
69	Merchandise Trade Detail: Imports	111
70	International Payments: Capital Movements	112
71	Net Proceeds from New Issues of Canadian Securities to Non-Residents	114
72	Canadian Chartered Banks' Head Office and Branches in Canada Net Change in Foreign Currency Positions	116

International Reserves and Exchange Rates

73	Canada's Official International Reserves	117
74	Canada's International Investment Position for Selected Years	118
75	Price of Foreign Currencies in Canada	120
76	Indexes of Exchange Rates	121
77	Money Market and Eurodollar Rates	122

Financial Flows

78	Monetary Aggregates	123
78.1	Change in Monetary Aggregates.....	124
79	Selected Interest Rates: Canada and United States.....	125
80	Consumer Credit.....	126
81	Mortgage Lending	127
82	Non-Financial Private Business: Net New Borrowing by Instrument.....	128
83	Total Funds Intermediated by Financial Institutions (Flows)	129
84	Total Funds Intermediated by Financial Institutions (Outstandings).....	130
85	Funds Raised in Canadian Financial Markets, by Instrument	131
86	Funds Raised in Canadian Financial Markets, by Borrower.....	132
87	Outstandings in Canadian Financial Markets, by Instrument.....	133
88	Outstandings in Canadian Financial Markets, by Borrower	134
89	Consolidated National Balance Sheet	135

International Comparisons

90	Recent OECD Economic Indicators	136
91	Interest Rates and Exchange Rates for the Seven Major OECD Countries	137
92	Current Account Balances of the Seven Major OECD Countries.....	138
93	International Comparisons of Government Budget Balances as Percentages of Gross Domestic Product or Gross National Product	139
94	International Comparisons of Central Government Revenues and Expenditures as Percentages of Gross Domestic Product or Gross National Product.....	140
95	International Comparisons of Total Government Revenues and Expenditures as Percentages of Gross Domestic Product or Gross National Product.....	141
96	International Comparisons of Government Tax Revenues as Percentages of Gross Domestic Product or Gross National Product	142
97	International Comparisons of Total Government Principal Tax Revenues as Percentages of Gross Domestic Product or Gross National Product.....	143
98	International Comparisons of Total Government Principal Tax Shares.....	145

Reference Table 1

Population in Canada, the Provinces and the Territories, at June 1st

1947 – 1987

(thousands of persons)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon	N.W.T.	Canada
1947.....	—	94	615	488	3,710	4,176	739	836	825	1,044	8	16	12,551
1948.....	—	93	625	498	3,788	4,275	746	838	854	1,082	8	16	12,823
1949.....	345	94	629	508	3,882	4,378	757	832	885	1,113	8	16	13,447
1950.....	351	96	638	512	3,969	4,471	768	833	913	1,137	8	16	13,712
1951.....	361	98	643	516	4,056	4,598	777	832	940	1,165	9	16	14,009
1952.....	374	100	653	526	4,174	4,788	798	843	973	1,205	9	16	14,459
1953.....	383	101	663	533	4,269	4,941	809	861	1,012	1,248	9	16	14,845
1954.....	395	101	673	540	4,388	5,115	823	873	1,057	1,295	10	17	15,287
1955.....	406	100	683	547	4,517	5,266	839	878	1,091	1,342	11	18	15,698
1956.....	415	99	695	555	4,628	5,405	850	881	1,123	1,399	12	19	16,081
1957.....	424	99	701	562	4,769	5,636	862	880	1,164	1,482	12	19	16,610
1958.....	432	100	709	571	4,904	5,821	875	891	1,206	1,538	13	20	17,080
1959.....	441	101	719	582	5,024	5,969	891	907	1,248	1,567	13	21	17,483
1960.....	448	103	727	589	5,142	6,111	906	915	1,291	1,602	14	22	17,870
1961.....	458	105	737	598	5,259	6,236	922	925	1,332	1,629	15	23	18,238
1962.....	468	107	746	605	5,371	6,351	936	930	1,369	1,660	15	25	18,583
1963.....	476	108	751	609	5,481	6,481	949	933	1,403	1,699	15	26	18,931
1964.....	483	109	755	611	5,584	6,631	959	942	1,430	1,745	15	27	19,291
1965.....	488	109	756	615	5,685	6,788	965	950	1,450	1,797	14	27	19,644
1966.....	493	109	756	617	5,781	6,961	963	955	1,463	1,874	14	29	20,015
1967.....	499	109	760	620	5,864	7,127	963	957	1,490	1,945	15	29	20,378
1968.....	506	110	767	625	5,928	7,262	971	960	1,524	2,003	15	30	20,701
1969.....	514	111	775	628	5,985	7,385	979	958	1,559	2,060	16	31	21,001
1970.....	517	110	782	627	6,013	7,551	983	941	1,595	2,128	17	33	21,297
1971.....	522	112	789	635	6,028	7,703	988	926	1,628	2,185	18	35	21,568
1972.....	530	113	795	640	6,054	7,810	991	914	1,657	2,241	20	37	21,802
1973.....	537	114	804	647	6,079	7,909	996	905	1,690	2,302	21	39	22,043
1974.....	542	115	812	654	6,123	8,054	1,008	900	1,722	2,376	21	40	22,364
1975.....	549	117	820	665	6,179	8,172	1,014	907	1,778	2,433	21	41	22,697
1976.....	558	118	829	677	6,235	8,265	1,022	921	1,838	2,467	22	43	22,993
1977.....	560	119	833	684	6,284	8,353	1,027	935	1,913	2,499	22	43	23,273
1978.....	562	121	838	688	6,302	8,440	1,032	944	1,983	2,542	23	44	23,517
1979.....	564	122	842	692	6,339	8,501	1,028	951	2,053	2,589	22	44	23,747
1980.....	566	123	845	695	6,386	8,570	1,025	959	2,141	2,666	22	45	24,043
1981.....	568	123	847	696	6,438	8,625	1,026	968	2,237	2,744	23	46	24,342
1982.....	566	122	850	697	6,462	8,703	1,033	977	2,315	2,788	24	47	24,583
1983.....	571	124	857	703	6,475	8,798	1,046	989	2,339	2,814	23	49	24,787
1984.....	572	125	864	708	6,492	8,902	1,055	1,001	2,339	2,848	23	50	24,978
1985.....	572	126	871	710	6,514	9,006	1,064	1,008	2,349	2,870	24	52	25,165
1986.....	568	127	873	710	6,540	9,113	1,071	1,010	2,375	2,889	24	52	25,353
1987.....	568	127	879	712	6,593	9,271	1,079	1,014	2,380	2,926	24	52	25,625

Source: Statistics Canada, *Postcensal Annual Estimates of Population by Marital Status, Age, Sex and Components of Growth, for Canada, the Provinces and the Territories at June 1st (91-201)*.

Table 1.1
Change in Population in Canada, the Provinces and the Territories
 1948 – 1987
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon	N.W.T.	Canada
1948.....	—	-1.1	1.6	2.0	2.1	2.4	0.9	0.2	3.5	3.6	0.0	0.0	2.2
1949.....	—	1.1	0.6	2.0	2.5	2.4	1.5	-0.7	3.6	2.9	0.0	0.0	4.9
1950.....	1.7	2.1	1.4	0.8	2.2	2.1	1.5	0.1	3.2	2.2	0.0	0.0	2.0
1951.....	3.0	2.5	0.7	0.7	2.2	2.8	1.1	-0.2	2.9	2.5	13.8	0.0	2.2
1952.....	3.5	1.6	1.6	2.0	2.9	4.1	2.8	1.4	3.6	3.4	-1.1	0.0	3.2
1953.....	2.4	1.0	1.5	1.3	2.3	3.2	1.4	2.1	4.0	3.6	0.0	0.0	2.7
1954.....	3.1	0.0	1.5	1.3	2.8	3.5	1.7	1.4	4.4	3.8	11.1	6.3	3.0
1955.....	2.8	-1.0	1.5	1.3	2.9	3.0	1.9	0.6	3.2	3.6	10.0	5.9	2.7
1956.....	2.2	-0.7	1.7	1.4	2.5	2.6	1.3	0.3	2.9	4.2	10.9	7.2	2.4
1957.....	2.1	-0.3	0.9	1.3	3.0	4.3	1.4	-0.1	3.6	6.0	-1.6	-1.6	3.3
1958.....	1.9	1.0	1.1	1.6	2.8	3.3	1.5	1.3	3.6	3.8	8.3	5.3	2.8
1959.....	2.1	1.0	1.4	1.9	2.4	2.5	1.8	1.8	3.5	1.9	0.0	5.0	2.4
1960.....	1.6	2.0	1.1	1.2	2.3	2.4	1.7	0.9	3.4	2.2	7.7	4.8	2.2
1961.....	2.2	1.6	1.4	1.5	2.3	2.0	1.7	1.1	3.2	1.7	4.3	4.5	2.1
1962.....	2.2	2.3	1.2	1.2	2.1	1.8	1.6	0.5	2.8	1.9	2.7	8.7	1.9
1963.....	1.7	0.9	0.7	0.7	2.0	2.0	1.4	0.3	2.5	2.3	0.0	4.0	1.9
1964.....	1.5	0.9	0.5	0.3	1.9	2.3	1.1	1.0	1.9	2.7	0.0	3.8	1.9
1965.....	1.0	0.0	0.1	0.7	1.8	2.4	0.6	0.8	1.4	3.0	-6.7	0.0	1.8
1966.....	1.1	-0.5	0.0	0.3	1.7	2.5	-0.2	0.6	0.9	4.3	2.9	6.3	1.9
1967.....	1.1	0.5	0.5	0.5	1.4	2.4	-0.0	0.2	1.8	3.8	4.2	1.0	1.8
1968.....	1.4	0.9	0.9	0.8	1.1	1.9	0.8	0.3	2.3	3.0	0.0	3.4	1.6
1969.....	1.6	0.9	1.0	0.5	1.0	1.7	0.8	-0.2	2.3	2.8	6.7	3.3	1.4
1970.....	0.6	-0.9	0.9	-0.2	0.5	2.2	0.4	-1.8	2.3	3.3	6.3	6.5	1.4
1971.....	1.0	1.5	0.9	1.2	0.2	2.0	0.5	-1.6	2.1	2.7	8.2	5.5	1.3
1972.....	1.5	0.9	0.7	0.9	0.4	1.4	0.3	-1.3	1.8	2.6	6.0	7.2	1.1
1973.....	1.4	1.2	1.2	1.1	0.4	1.3	0.5	-1.0	1.9	2.7	5.1	5.6	1.1
1974.....	0.8	1.1	0.9	1.0	0.7	1.8	1.1	-0.5	1.9	3.2	0.0	0.5	1.5
1975.....	1.4	1.6	1.0	1.8	0.9	1.5	0.6	0.9	3.2	2.4	3.9	4.0	1.5
1976.....	1.6	0.9	1.1	1.8	0.9	1.1	0.8	1.5	3.4	1.4	2.3	3.4	1.3
1977.....	0.4	0.9	0.6	1.0	0.8	1.1	0.6	1.5	4.1	1.3	0.0	0.5	1.2
1978.....	0.3	1.4	0.5	0.6	0.3	1.0	0.4	0.9	3.7	1.7	3.2	1.9	1.0
1979.....	0.4	0.8	0.5	0.6	0.6	0.7	-0.4	0.8	3.5	1.9	-0.9	0.9	1.0
1980.....	0.4	0.7	0.4	0.5	0.7	0.8	-0.3	0.9	4.3	3.0	0.0	1.6	1.2
1981.....	0.4	-0.2	0.3	0.1	0.8	0.6	0.1	0.9	4.5	2.9	4.0	2.2	1.2
1982.....	-0.3	-0.1	0.2	0.0	0.4	0.9	0.7	0.9	3.5	1.6	3.0	3.7	1.0
1983.....	0.9	1.1	0.9	0.9	0.2	1.1	1.2	1.3	1.0	0.9	-4.2	3.0	0.8
1984.....	0.2	1.1	0.9	0.7	0.3	1.2	0.9	1.1	-0.0	1.2	0.9	2.7	0.8
1985.....	-0.2	0.7	0.8	0.3	0.3	1.2	0.8	0.8	0.4	0.8	1.7	3.6	0.7
1986.....	-0.6	0.5	0.3	0.1	0.4	1.2	0.7	0.2	1.1	0.7	0.0	0.6	0.7
1987.....	-0.0	0.6	0.7	0.3	0.8	1.7	0.7	0.4	0.2	1.3	3.8	-1.0	1.1

Table 1.2
Distribution of Population among Provinces and the Territories
 1947 – 1987
 (percentage of total)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon	N.W.T.	Canada
1947.....	—	0.7	4.9	3.9	29.6	33.3	5.9	6.7	6.6	8.3	0.1	0.1	100.0
1948.....	—	0.7	4.9	3.9	29.5	33.3	5.8	6.5	6.7	8.4	0.1	0.1	100.0
1949.....	2.6	0.7	4.7	3.8	28.9	32.6	5.6	6.2	6.6	8.3	0.1	0.1	100.0
1950.....	2.6	0.7	4.7	3.7	28.9	32.6	5.6	6.1	6.7	8.3	0.1	0.1	100.0
1951.....	2.6	0.7	4.6	3.7	28.9	32.8	5.5	5.9	6.7	8.3	0.1	0.1	100.0
1952.....	2.6	0.7	4.5	3.6	28.9	33.1	5.5	5.8	6.7	8.3	0.1	0.1	100.0
1953.....	2.6	0.7	4.5	3.6	28.8	33.3	5.4	5.8	6.8	8.4	0.1	0.1	100.0
1954.....	2.6	0.7	4.4	3.5	28.7	33.5	5.4	5.7	6.9	8.5	0.1	0.1	100.0
1955.....	2.6	0.6	4.4	3.5	28.8	33.5	5.3	5.6	6.9	8.5	0.1	0.1	100.0
1956.....	2.6	0.6	4.3	3.4	28.8	33.6	5.3	5.5	7.0	8.7	0.1	0.1	100.0
1957.....	2.6	0.6	4.2	3.4	28.7	33.9	5.2	5.3	7.0	8.9	0.1	0.1	100.0
1958.....	2.5	0.6	4.2	3.3	28.7	34.1	5.1	5.2	7.1	9.0	0.1	0.1	100.0
1959.....	2.5	0.6	4.1	3.3	28.7	34.1	5.1	5.2	7.1	9.0	0.1	0.1	100.0
1960.....	2.5	0.6	4.1	3.3	28.8	34.2	5.1	5.1	7.2	9.0	0.1	0.1	100.0
1961.....	2.5	0.6	4.0	3.3	28.8	34.2	5.1	5.1	7.3	8.9	0.1	0.1	100.0
1962.....	2.5	0.6	4.0	3.3	28.9	34.2	5.0	5.0	7.4	8.9	0.1	0.1	100.0
1963.....	2.5	0.6	4.0	3.2	29.0	34.2	5.0	4.9	7.4	9.0	0.1	0.1	100.0
1964.....	2.5	0.6	3.9	3.2	28.9	34.4	5.0	4.9	7.4	9.0	0.1	0.1	100.0
1965.....	2.5	0.6	3.8	3.1	28.9	34.6	4.9	4.8	7.4	9.1	0.1	0.1	100.0
1966.....	2.5	0.5	3.8	3.1	28.9	34.8	4.8	4.8	7.3	9.4	0.1	0.1	100.0
1967.....	2.4	0.5	3.7	3.0	28.8	35.0	4.7	4.7	7.3	9.5	0.1	0.1	100.0
1968.....	2.4	0.5	3.7	3.0	28.6	35.1	4.7	4.6	7.4	9.7	0.1	0.1	100.0
1969.....	2.4	0.5	3.7	3.0	28.5	35.2	4.7	4.6	7.4	9.8	0.1	0.1	100.0
1970.....	2.4	0.5	3.7	2.9	28.2	35.5	4.6	4.4	7.5	10.0	0.1	0.2	100.0
1971.....	2.4	0.5	3.7	2.9	27.9	35.7	4.6	4.3	7.5	10.1	0.1	0.2	100.0
1972.....	2.4	0.5	3.6	2.9	27.8	35.8	4.5	4.2	7.6	10.3	0.1	0.2	100.0
1973.....	2.4	0.5	3.6	2.9	27.6	35.9	4.5	4.1	7.7	10.4	0.1	0.2	100.0
1974.....	2.4	0.5	3.6	2.9	27.4	36.0	4.5	4.0	7.7	10.6	0.1	0.2	100.0
1975.....	2.4	0.5	3.6	2.9	27.2	36.0	4.5	4.0	7.8	10.7	0.1	0.2	100.0
1976.....	2.4	0.5	3.6	2.9	27.1	35.9	4.4	4.0	8.0	10.7	0.1	0.2	100.0
1977.....	2.4	0.5	3.6	2.9	27.0	35.9	4.4	4.0	8.2	10.7	0.1	0.2	100.0
1978.....	2.4	0.5	3.6	2.9	26.8	35.9	4.4	4.0	8.4	10.8	0.1	0.2	100.0
1979.....	2.4	0.5	3.5	2.9	26.7	35.8	4.3	4.0	8.6	10.9	0.1	0.2	100.0
1980.....	2.4	0.5	3.5	2.9	26.6	35.6	4.3	4.0	8.9	11.1	0.1	0.2	100.0
1981.....	2.3	0.5	3.5	2.9	26.4	35.4	4.2	4.0	9.2	11.3	0.1	0.2	100.0
1982.....	2.3	0.5	3.5	2.8	26.3	35.4	4.2	4.0	9.4	11.3	0.1	0.2	100.0
1983.....	2.3	0.5	3.5	2.8	26.1	35.5	4.2	4.0	9.4	11.4	0.1	0.2	100.0
1984.....	2.3	0.5	3.5	2.8	26.0	35.6	4.2	4.0	9.4	11.4	0.1	0.2	100.0
1985.....	2.3	0.5	3.5	2.8	25.9	35.8	4.2	4.0	9.3	11.4	0.1	0.2	100.0
1986.....	2.2	0.5	3.4	2.8	25.8	35.9	4.2	4.0	9.4	11.4	0.1	0.2	100.0
1987.....	2.2	0.5	3.4	2.8	25.7	36.2	4.2	4.0	9.3	11.4	0.1	0.2	100.0

Reference Table 2
Demographic Developments
1947 – 1987

Year	Population at start of year (thousands)	Immigration										
		Births	Deaths	Natural increase	Total	Destined to labour force	Marriages	Births	Deaths	Natural increase	Immi- gration	Marriages
(rates per thousand of population)												
1947.....	12,545	359,943	118,157	241,786	—	—	127,483	28.7	9.4	19.3	—	10.2
1948.....	12,816	348,226	119,866	228,360	—	—	123,508	27.2	9.4	17.8	—	9.6
1949.....	13,355	367,092	124,567	242,525	—	—	124,087	27.5	9.3	18.2	—	9.3
1950.....	13,704	372,009	124,220	247,789	—	—	125,083	27.1	9.1	18.1	—	9.1
1951.....	14,005	381,092	125,823	255,269	—	—	128,408	27.2	9.0	18.2	—	9.2
1952.....	14,437	403,559	126,385	277,174	—	—	128,474	28.0	8.8	19.2	—	8.9
1953.....	14,833	417,884	127,791	290,093	—	—	131,034	28.2	8.6	19.6	—	8.8
1954.....	15,270	436,198	124,855	311,343	—	—	128,629	28.6	8.2	20.4	—	8.4
1955.....	15,681	442,937	128,476	314,461	109,946	57,987	128,029	28.2	8.2	20.1	7.0	8.2
1956.....	16,070	450,739	131,961	318,778	164,857	91,039	132,713	28.0	8.2	19.8	10.3	8.3
1957.....	16,580	469,093	136,579	332,514	282,164	151,511	133,186	28.3	8.2	20.1	17.0	8.0
1958.....	17,062	470,118	135,201	334,917	124,851	63,078	131,525	27.6	7.9	19.6	7.3	7.7
1959.....	17,468	479,275	139,913	339,362	106,928	53,551	132,474	27.4	8.0	19.4	6.1	7.6
1960.....	17,855	478,551	139,693	338,858	104,111	53,573	130,338	26.8	7.8	19.0	5.8	7.3
1961.....	18,225	475,700	140,985	334,715	71,689	34,809	128,475	26.1	7.7	18.4	3.9	7.0
1962.....	18,571	469,693	143,699	325,994	74,586	36,748	129,381	25.3	7.7	17.6	4.0	7.0
1963.....	18,919	465,767	147,367	318,400	93,151	45,866	131,111	24.6	7.8	16.8	4.9	6.9
1964.....	19,277	452,915	145,850	307,065	112,606	56,190	138,135	23.5	7.6	15.9	5.8	7.2
1965.....	19,634	418,595	148,939	269,656	146,758	74,195	145,519	21.3	7.6	13.7	7.5	7.4
1966.....	19,998	387,710	149,863	237,847	194,743	99,210	155,596	19.4	7.5	11.9	9.7	7.8
1967.....	20,364	370,894	150,283	220,611	222,876	119,539	165,879	18.2	7.4	10.8	10.9	8.1
1968.....	20,692	364,310	153,196	211,114	183,974	95,446	171,766	17.6	7.4	10.2	8.9	8.3
1969.....	20,994	369,647	154,477	215,170	161,531	84,349	182,183	17.6	7.4	10.2	7.7	8.7
1970.....	21,288	371,988	155,961	216,027	147,713	77,723	188,428	17.5	7.3	10.1	6.9	8.9
1971.....	21,559	362,187	157,272	204,915	121,900	61,282	191,324	16.8	7.3	9.5	5.7	8.9
1972.....	21,793	347,319	162,413	184,906	122,006	59,432	200,470	15.9	7.5	8.5	5.6	9.2
1973.....	22,040	343,373	164,039	179,334	184,200	92,228	199,064	15.6	7.4	8.1	8.4	9.0
1974.....	22,357	345,645	166,794	178,851	218,465	106,083	198,824	15.5	7.5	8.0	9.8	8.9
1975.....	22,688	358,285	167,404	190,881	187,881	81,189	197,585	15.8	7.4	8.4	8.3	8.7
1976.....	22,985	359,300	167,009	192,291	146,110	60,125	193,343	15.6	7.3	8.4	6.4	8.4
1977.....	23,260	362,208	167,498	194,710	114,914	47,627	187,344	15.6	7.2	8.4	4.9	8.1
1978.....	23,503	358,852	168,179	190,673	86,313	35,204	185,523	15.3	7.2	8.1	3.7	7.9
1979.....	23,738	365,475	168,183	197,292	112,096	48,234	187,811	15.4	7.1	8.3	4.7	7.9
1980.....	24,030	370,709	171,473	199,236	143,117	63,745	191,069	15.4	7.1	8.3	6.0	8.0
1981.....	24,324	371,346	171,029	200,317	128,618	56,969	190,082	15.3	7.0	8.2	5.3	7.8
1982.....	24,571	372,882	174,413	198,469	121,147	55,472	188,119	15.2	7.1	8.1	4.9	7.7
1983.....	24,778	373,689	174,484	199,205	89,157	37,109	184,675	15.1	7.0	8.0	3.6	7.5
1984.....	24,970	377,031	175,727	201,304	88,239	38,500	185,597	15.1	7.0	8.1	3.5	7.4
1985.....	25,158	379,140	178,330	200,810	84,302	38,453	180,650	15.1	7.1	8.0	3.4	7.2
1986.....	25,350	378,260	186,410	191,850	99,219	48,200	190,680	14.9	7.4	7.6	3.9	7.5
1987.....	25,613	372,080	185,260	186,820	149,384	75,498	170,160	14.5	7.2	7.3	5.8	6.6

Source: Statistics Canada, *Vital Statistics* (84-001), and *Quarterly Estimates of Population for Canada, the Provinces and the Territories* (91-001); Employment and Immigration Canada.

Reference Table 3
Gross Domestic Product, Expenditure Based
1947 – 1987
(millions of dollars)

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Inventory change	Exports ⁽¹⁾ of goods and services	Imports ⁽²⁾ of goods and services	Statistical discrepancy	Gross domestic product at market prices
			Total	Government	Non-residential	Housing					
1947.....	9,427	1,343	2,477	304	1,591	582	343	3,586	3,204	- 32	13,940
1948.....	10,423	1,454	3,189	424	1,974	791	97	3,969	3,236	73	15,969
1949.....	11,463	1,722	3,598	456	2,188	954	78	3,893	3,387	- 20	17,347
1950.....	12,576	1,928	4,047	521	2,388	1,138	549	4,028	3,937	- 66	19,125
1951.....	13,973	2,811	4,644	640	2,950	1,054	871	4,908	5,045	118	22,280
1952.....	15,282	3,620	5,324	779	3,371	1,174	499	5,373	4,862	- 66	25,170
1953.....	16,296	3,824	5,983	782	3,699	1,502	600	5,174	5,311	- 171	26,395
1954.....	17,078	3,825	5,975	873	3,429	1,673	- 202	4,944	5,023	- 66	26,531
1955.....	18,543	4,036	6,762	948	3,689	2,125	285	5,536	5,804	- 108	29,250
1956.....	20,273	4,426	8,394	1,144	5,031	2,219	985	6,141	7,007	- 310	32,902
1957.....	21,699	4,573	9,058	1,327	5,693	2,038	170	6,158	6,996	- 195	34,467
1958.....	23,064	4,854	8,880	1,397	5,049	2,434	- 296	6,072	6,558	- 327	35,689
1959.....	24,643	4,976	9,007	1,508	5,006	2,493	414	6,403	7,168	- 398	37,877
1960.....	25,780	5,281	8,844	1,560	5,119	2,165	409	6,728	7,222	- 372	39,448
1961.....	26,240	6,166	8,759	1,674	4,929	2,156	111	7,296	7,450	- 236	40,886
1962.....	27,985	6,567	9,257	1,903	5,128	2,226	671	7,939	7,977	- 34	44,408
1963.....	29,846	6,923	9,950	1,985	5,612	2,353	723	8,748	8,398	- 114	47,678
1964.....	32,042	7,526	11,668	2,023	6,800	2,845	592	10,067	9,565	- 139	52,191
1965.....	34,714	8,269	13,665	2,440	8,105	3,120	1,295	10,719	10,832	- 307	57,523
1966.....	37,952	9,643	15,922	2,841	9,915	3,166	1,278	12,564	12,584	- 387	64,388
1967.....	41,068	11,092	16,248	2,954	9,865	3,429	205	14,161	13,461	- 249	69,064
1968.....	44,842	12,685	16,492	2,983	9,518	3,991	737	16,166	15,186	- 318	75,418
1969.....	49,093	14,186	18,144	3,055	10,332	4,757	1,477	17,844	17,705	- 13	83,026
1970.....	51,853	16,448	19,011	3,173	11,342	4,496	239	20,078	17,830	- 683	89,116
1971.....	56,271	18,228	21,570	3,745	12,236	5,589	371	21,173	19,531	- 792	97,290
1972.....	63,021	20,136	23,878	3,952	13,263	6,663	782	23,737	22,779	- 146	108,629
1973.....	72,069	22,851	28,858	4,270	16,182	8,406	1,864	29,767	28,024	- 13	127,372
1974.....	84,231	27,480	35,780	5,410	20,067	10,303	3,591	37,805	37,366	590	152,111
1975.....	97,566	33,266	41,845	6,243	24,565	11,037	1,368	38,954	41,362	- 97	171,540
1976.....	111,500	38,274	46,707	6,245	26,322	14,140	2,330	44,252	45,279	140	197,924
1977.....	123,555	43,411	50,226	6,741	28,606	14,879	1,864	51,183	51,252	- 1,108	217,879
1978.....	137,427	47,386	54,579	7,083	31,622	15,874	1,053	61,152	60,052	59	241,604
1979.....	153,390	52,286	63,435	7,339	39,124	16,972	4,993	75,073	73,279	198	276,096
1980.....	172,416	59,250	72,288	8,223	46,663	17,402	336	87,579	81,933	- 45	309,891
1981.....	196,191	68,792	86,119	9,447	56,103	20,569	1,186	96,880	93,001	- 173	355,994
1982.....	210,509	78,655	81,327	10,519	53,221	17,587	- 9,753	96,651	82,598	- 349	374,442
1983.....	231,452	84,571	81,227	10,395	49,520	21,312	- 2,898	103,444	89,832	- 2,247	405,417
1984.....	251,645	89,089	84,699	11,390	50,981	22,328	4,761	126,035	110,632	- 862	444,735
1985.....	274,946	95,700	94,216	12,905	56,089	25,222	2,981	134,979	123,404	- 653	478,765
1986.....	297,304	100,468	101,326	12,553	57,967	30,806	2,936	137,459	132,879	- 131	506,483
1987.....	322,970	106,490	114,378	12,797	62,650	38,931	1,954	144,213	140,284	- 29	549,692

(1) Excludes investment income received from non-residents.

(2) Excludes investment income paid to non-residents.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Table 3.1
Change in Gross Domestic Product, Expenditure Based
 1948 – 1987
 (per cent)

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Exports of goods and services	Imports of goods and services	Gross domestic product at market prices
			Total	Government	Non residential	Housing			
1948	10.6	8.3	28.7	39.5	24.1	35.9	10.7	1.0	14.6
1949	10.0	18.4	12.8	7.5	10.8	20.6	-1.9	4.7	8.6
1950	9.7	12.0	12.5	14.3	9.1	19.3	3.5	16.2	10.2
1951	11.1	45.8	14.8	22.8	23.5	-7.4	21.8	28.1	16.5
1952	9.4	28.8	14.6	21.7	14.3	11.4	9.5	-3.6	13.0
1953	6.6	5.6	12.4	0.4	9.7	27.9	-3.7	9.2	4.9
1954	4.8	0.0	-0.1	11.6	-7.3	11.4	-4.4	-5.4	0.5
1955	8.6	5.5	13.2	8.6	7.6	27.0	12.0	15.5	10.2
1956	9.3	9.7	24.1	20.7	36.4	4.4	10.9	20.7	12.5
1957	7.0	3.3	7.9	16.0	13.2	-8.2	0.3	-0.2	4.8
1958	6.3	6.1	-2.0	5.3	-11.3	19.4	-1.4	-6.3	3.5
1959	6.8	2.5	1.4	7.9	-0.9	2.4	5.5	9.3	6.1
1960	4.6	6.1	-1.8	3.4	2.3	-13.2	5.1	0.8	4.1
1961	1.8	16.8	-1.0	7.3	-3.7	-0.4	8.4	3.2	3.6
1962	6.7	6.5	5.7	13.7	4.0	3.2	8.8	7.1	8.6
1963	6.6	5.4	7.5	4.3	9.4	5.7	10.2	5.3	7.4
1964	7.4	8.7	17.3	1.9	21.2	20.9	15.1	13.9	9.5
1965	8.3	9.9	17.1	20.6	19.2	9.7	6.5	13.2	10.2
1966	9.3	16.6	16.5	16.4	22.3	1.5	17.2	16.2	11.9
1967	8.2	15.0	2.0	4.0	-0.5	8.3	12.7	7.0	7.3
1968	9.2	14.4	1.5	1.0	-3.5	16.4	14.2	12.8	9.2
1969	9.5	11.8	10.0	2.4	8.6	19.2	10.4	16.6	10.1
1970	5.6	15.9	4.8	3.9	9.8	-5.5	12.5	0.7	7.3
1971	8.5	10.8	13.5	18.0	7.9	24.3	5.5	9.5	9.2
1972	12.0	10.5	10.7	5.5	8.4	19.2	12.1	16.6	11.7
1973	14.4	13.5	20.9	8.0	22.0	26.2	25.4	23.0	17.3
1974	16.9	20.3	24.0	26.7	24.0	22.6	27.0	33.3	19.4
1975	15.8	21.1	17.0	15.4	22.4	7.1	3.0	10.7	12.8
1976	14.3	15.1	11.6	0.0	7.2	28.1	13.6	9.5	15.4
1977	10.8	13.4	7.5	7.9	8.7	5.2	15.7	13.2	10.1
1978	11.2	9.2	8.7	5.1	10.5	6.7	19.5	17.2	10.9
1979	11.6	10.3	16.2	3.6	23.7	6.9	22.8	22.0	14.3
1980	12.4	13.3	14.0	12.0	19.3	2.5	16.7	11.8	12.2
1981	13.8	16.1	19.1	14.9	20.2	18.2	10.6	13.5	14.9
1982	7.3	14.3	-5.6	11.3	-5.1	-14.5	-0.2	-11.2	5.2
1983	9.9	7.5	-0.1	-1.2	-7.0	21.2	7.0	8.8	8.4
1984	8.7	5.3	4.3	9.6	3.0	4.8	21.8	23.2	9.6
1985	9.3	7.4	11.2	13.3	10.0	13.0	7.1	11.5	7.7
1986	8.1	5.0	7.5	-2.7	3.3	22.1	1.8	7.7	5.8
1987	8.6	6.0	12.9	1.9	8.1	26.4	4.9	5.6	8.5

Reference Table 4
Gross Domestic Product at 1981 Prices, Expenditure Based
1947 – 1987
(millions of dollars)

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Inventory change	Exports ⁽¹⁾ of goods and services	Imports ⁽²⁾ of goods and services	Statistical discrepancy	Gross domestic product at 1981 prices
			Total	Government	Non-residential	Housing					
1947.....	42,881	12,747	11,910	1,520	7,101	3,680	1,905	16,720	13,013	-167	74,143
1948.....	41,789	12,095	13,514	1,892	7,986	4,273	422	16,860	11,691	404	75,268
1949.....	44,375	13,376	14,591	1,961	8,510	4,946	490	15,969	11,888	-94	78,647
1950.....	47,264	14,410	15,707	2,160	8,980	5,621	2,367	15,822	12,842	-291	84,784
1951.....	47,698	18,845	15,708	2,210	9,773	4,507	3,067	17,340	14,925	512	88,562
1952.....	51,001	23,211	17,469	2,633	10,845	4,937	1,527	19,157	15,587	-256	95,951
1953.....	54,494	23,918	19,597	2,809	11,788	6,263	2,284	18,903	16,997	-694	100,722
1954.....	56,458	22,986	19,633	3,132	11,059	7,039	-647	18,230	16,019	-251	99,620
1955.....	61,252	23,490	21,625	3,168	11,725	8,773	1,354	19,601	18,238	-419	109,104
1956.....	65,934	24,042	25,518	3,450	15,225	9,023	3,268	21,172	21,296	-1,187	118,114
1957.....	68,318	23,654	27,134	4,235	17,196	8,056	648	21,349	20,661	-738	121,471
1958.....	70,791	24,368	26,779	4,701	15,308	9,652	-759	21,162	19,055	-1,225	124,108
1959.....	74,731	24,161	26,959	5,059	14,705	9,900	1,080	21,959	21,013	-1,461	128,998
1960.....	77,411	24,745	26,122	5,182	14,782	8,430	1,646	22,937	20,963	-1,350	132,752
1961.....	78,337	27,972	26,032	5,760	14,421	8,323	1,751	24,497	21,016	-852	136,914
1962.....	82,412	29,095	27,165	6,486	14,553	8,565	2,144	25,628	21,503	-165	146,614
1963.....	86,069	29,844	28,382	6,534	15,413	8,837	2,212	27,991	22,076	-425	154,224
1964.....	90,953	31,477	32,129	6,461	18,009	10,244	2,597	31,526	24,977	-504	164,504
1965.....	96,463	33,025	35,765	7,314	20,342	10,638	4,274	32,967	28,136	-1,003	175,359
1966.....	101,550	35,818	39,606	8,047	23,647	10,129	3,825	37,581	31,998	-1,190	187,263
1967.....	105,619	38,599	39,478	8,285	22,886	10,340	1,133	41,478	33,671	-755	192,752
1968.....	110,363	41,567	39,673	8,351	22,165	11,780	2,155	46,714	36,981	-928	203,072
1969.....	116,034	42,891	41,817	8,176	22,869	13,368	3,692	50,464	41,811	-88	213,946
1970.....	118,355	46,910	41,958	8,134	24,060	12,175	1,435	54,846	41,094	-1,745	219,498
1971.....	125,383	48,965	45,254	9,121	24,930	14,217	1,522	57,702	44,036	-1,913	232,137
1972.....	134,802	50,289	47,209	9,118	25,516	15,525	2,794	62,220	50,119	-354	245,441
1973.....	144,893	53,209	51,894	8,904	28,836	16,652	4,315	68,788	57,470	-44	264,369
1974.....	153,280	56,199	55,341	9,277	31,164	17,216	7,647	67,423	63,839	1,029	276,006
1975.....	160,513	59,836	58,555	9,627	34,338	17,064	2,504	62,861	61,747	-158	283,187
1976.....	170,994	61,010	61,260	9,184	34,619	20,134	4,227	69,521	67,079	207	300,638
1977.....	176,400	63,812	62,535	9,325	35,735	20,371	3,162	75,688	68,251	-1,627	311,504
1978.....	182,407	64,878	64,476	9,157	37,248	20,589	1,817	86,014	73,304	28	325,751
1979.....	187,673	65,246	69,979	8,743	42,816	20,386	6,902	90,339	81,660	202	338,362
1980.....	191,777	67,097	77,041	9,026	49,530	19,292	328	92,800	85,691	-19	343,384
1981.....	196,191	68,792	86,119	9,447	56,103	20,569	1,186	96,880	93,001	-173	355,994
1982.....	190,993	70,426	76,655	9,824	49,623	17,208	-9,144	94,772	78,898	-261	344,543
1983.....	197,546	71,446	76,106	9,475	46,500	20,131	-2,527	100,840	86,009	-1,957	355,445
1984.....	206,664	72,314	77,730	10,095	47,395	20,240	3,915	118,692	100,724	-726	377,865
1985.....	217,859	74,275	84,137	11,152	50,757	22,228	2,803	125,808	109,137	-528	395,217
1986.....	227,164	75,146	88,333	10,755	52,390	25,188	3,396	130,928	117,133	-98	407,736
1987.....	237,930	76,379	96,814	10,639	57,021	29,154	1,535	138,688	127,200	-10	424,136

⁽¹⁾ Excludes investment income received from non-residents.

⁽²⁾ Excludes investment income paid to non-residents.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Table 4.1
Change in Gross Domestic Product at 1981 Prices, Expenditure Based
 1948 – 1987
 (per cent)

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Exports of goods and services	Imports of goods and services	Gross domestic product at 1981 prices
			Total	Government	Non-residential	Housing			
1948	-2.5	-5.1	13.5	24.5	12.5	16.1	0.8	-10.2	1.5
1949	6.2	10.6	8.0	3.6	6.6	15.8	-5.3	1.7	4.5
1950	6.5	7.7	7.6	10.1	5.5	13.6	-0.9	8.0	7.8
1951	0.9	30.8	0.0	2.3	8.8	-19.8	9.6	16.2	4.5
1952	6.9	23.2	11.2	19.1	11.0	9.5	10.5	4.4	8.3
1953	6.8	3.0	12.2	6.7	8.7	26.9	-1.3	9.0	5.0
1954	3.6	-3.9	0.2	11.5	-6.2	12.4	-3.6	-5.8	-1.1
1955	8.5	2.2	10.1	1.1	6.0	24.6	7.5	13.9	9.5
1956	7.6	2.3	18.0	8.9	29.9	2.8	8.0	16.8	8.6
1957	3.6	-1.6	6.3	22.8	12.9	-10.7	0.8	-3.0	2.5
1958	3.6	3.0	-1.3	11.0	-11.0	19.8	-0.9	-7.8	2.2
1959	5.6	-0.8	0.7	7.6	-3.9	2.6	3.8	10.3	3.9
1960	3.6	2.4	-3.1	2.4	0.5	-14.8	4.5	-0.2	2.9
1961	1.2	13.0	-0.3	11.2	-2.4	-1.3	6.8	0.3	3.1
1962	5.2	4.0	4.4	12.6	0.9	2.9	4.6	2.3	7.1
1963	4.4	2.6	4.5	0.7	5.9	3.2	9.2	2.7	5.2
1964	5.7	5.5	13.2	-1.1	16.8	15.9	12.6	13.1	6.7
1965	6.1	4.9	11.3	13.2	13.0	3.8	4.6	12.6	6.6
1966	5.3	8.5	10.7	10.0	16.2	-4.8	14.0	13.7	6.8
1967	4.0	7.8	-0.3	3.0	-3.2	2.1	10.4	5.2	2.9
1968	4.5	7.7	0.5	0.8	-3.2	13.9	12.6	9.8	5.4
1969	5.1	3.2	5.4	-2.1	3.2	13.5	8.0	13.1	5.4
1970	2.0	9.4	0.3	-0.5	5.2	-8.9	8.7	-1.7	2.6
1971	5.9	4.4	7.9	12.1	3.6	16.8	5.2	7.2	5.8
1972	7.5	2.7	4.3	-0.0	2.4	9.2	7.8	13.8	5.7
1973	7.5	5.8	9.9	-2.3	13.0	7.3	10.6	14.7	7.7
1974	5.8	5.6	6.6	4.2	8.1	3.4	-2.0	11.1	4.4
1975	4.7	6.5	5.8	3.8	10.2	-0.9	-6.8	-3.3	2.6
1976	6.5	2.0	4.6	-4.6	0.8	18.0	10.6	8.6	6.2
1977	3.2	4.6	2.1	1.5	3.2	1.2	8.9	1.7	3.6
1978	3.4	1.7	3.1	-1.8	4.2	1.1	13.6	7.4	4.6
1979	2.9	0.6	8.5	-4.5	14.9	-1.0	5.0	11.4	3.9
1980	2.2	2.8	10.1	3.2	15.7	-5.4	2.7	4.9	1.5
1981	2.3	2.5	11.8	4.7	13.3	6.6	4.4	8.5	3.7
1982	-2.6	2.4	-11.0	4.0	-11.6	-16.3	-2.2	-15.2	-3.2
1983	3.4	1.4	-0.7	-3.6	-6.3	17.0	6.4	9.0	3.2
1984	4.6	1.2	2.1	6.5	1.9	0.5	17.7	17.1	6.3
1985	5.4	2.7	8.2	10.5	7.1	9.8	6.0	8.4	4.6
1986	4.3	1.2	5.0	-3.6	3.2	13.3	4.1	7.3	3.2
1987	4.7	1.6	9.6	-1.1	8.8	15.7	5.9	8.6	4.0

Reference Table 5
Structural Changes in Demand
(Percentage Distribution of Gross Domestic Product by Component)
1947 – 1987

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Inventory change	Exports of goods and services	Imports of goods and services	Statistical discrepancy	Gross domestic product at market prices
			Total	Government	Non-residential	Housing					
1947.....	67.6	9.6	17.8	2.2	11.4	4.2	2.5	25.7	23.0	-0.2	100.0
1948.....	65.3	9.1	20.0	2.7	12.4	5.0	0.6	24.9	20.3	0.5	100.0
1949.....	66.1	9.9	20.7	2.6	12.6	5.5	0.4	22.4	19.5	-0.1	100.0
1950.....	65.8	10.1	21.2	2.7	12.5	6.0	2.9	21.1	20.6	-0.3	100.0
1951.....	62.7	12.6	20.8	2.9	13.2	4.7	3.9	22.0	22.6	0.5	100.0
1952.....	60.7	14.4	21.2	3.1	13.4	4.7	2.0	21.3	19.3	-0.3	100.0
1953.....	61.7	14.5	22.7	3.0	14.0	5.7	2.3	19.6	20.1	-0.6	100.0
1954.....	64.4	14.4	22.5	3.3	12.9	6.3	-0.8	18.6	18.9	-0.2	100.0
1955.....	63.4	13.8	23.1	3.2	12.6	7.3	1.0	18.9	19.8	-0.4	100.0
1956.....	61.6	13.5	25.5	3.5	15.3	6.7	3.0	18.7	21.3	-0.9	100.0
1957.....	63.0	13.3	26.3	3.9	16.5	5.9	0.5	17.9	20.3	-0.6	100.0
1958.....	64.6	13.6	24.9	3.9	14.1	6.8	-0.8	17.0	18.4	-0.9	100.0
1959.....	65.1	13.1	23.8	4.0	13.2	6.6	1.1	16.9	18.9	-1.1	100.0
1960.....	65.4	13.4	22.4	4.0	13.0	5.5	1.0	17.1	18.3	-0.9	100.0
1961.....	64.2	15.1	21.4	4.1	12.1	5.3	0.3	17.8	18.2	-0.6	100.0
1962.....	63.0	14.8	20.8	4.3	11.5	5.0	1.5	17.9	18.0	-0.1	100.0
1963.....	62.6	14.5	20.9	4.2	11.8	4.9	1.5	18.3	17.6	-0.2	100.0
1964.....	61.4	14.4	22.4	3.9	13.0	5.5	1.1	19.3	18.3	-0.3	100.0
1965.....	60.3	14.4	23.8	4.2	14.1	5.4	2.3	18.6	18.8	-0.5	100.0
1966.....	58.9	15.0	24.7	4.4	15.4	4.9	2.0	19.5	19.5	-0.6	100.0
1967.....	59.5	16.1	23.5	4.3	14.3	5.0	0.3	20.5	19.5	-0.4	100.0
1968.....	59.5	16.8	21.9	4.0	12.6	5.3	1.0	21.4	20.1	-0.4	100.0
1969.....	59.1	17.1	21.9	3.7	12.4	5.7	1.8	21.5	21.3	-0.0	100.0
1970.....	58.2	18.5	21.3	3.6	12.7	5.0	0.3	22.5	20.0	-0.8	100.0
1971.....	57.8	18.7	22.2	3.8	12.6	5.7	0.4	21.8	20.1	-0.8	100.0
1972.....	58.0	18.5	22.0	3.6	12.2	6.1	0.7	21.9	21.0	-0.1	100.0
1973.....	56.6	17.9	22.7	3.4	12.7	6.6	1.5	23.4	22.0	-0.0	100.0
1974.....	55.4	18.1	23.5	3.6	13.2	6.8	2.4	24.9	24.6	0.4	100.0
1975.....	56.9	19.4	24.4	3.6	14.3	6.4	0.8	22.7	24.1	-0.1	100.0
1976.....	56.3	19.3	23.6	3.2	13.3	7.1	1.2	22.4	22.9	0.1	100.0
1977.....	56.7	19.9	23.1	3.1	13.1	6.8	0.9	23.5	23.5	-0.5	100.0
1978.....	56.9	19.6	22.6	2.9	13.1	6.6	0.4	25.3	24.9	0.0	100.0
1979.....	55.6	18.9	23.0	2.7	14.2	6.1	1.8	27.2	26.5	0.1	100.0
1980.....	55.6	19.1	23.3	2.7	15.1	5.6	0.1	28.3	26.4	-0.0	100.0
1981.....	55.1	19.3	24.2	2.7	15.8	5.8	0.3	27.2	26.1	-0.0	100.0
1982.....	56.2	21.0	21.7	2.8	14.2	4.7	-2.6	25.8	22.1	-0.1	100.0
1983.....	57.0	20.8	20.0	2.6	12.2	5.3	-0.7	25.5	22.1	-0.6	100.0
1984.....	56.6	20.0	19.0	2.6	11.5	5.0	1.1	28.3	24.9	-0.2	100.0
1985.....	57.4	20.0	19.7	2.7	11.7	5.3	0.6	28.2	25.8	-0.1	100.0
1986.....	58.7	19.8	20.0	2.5	11.4	6.1	0.6	27.1	26.2	-0.0	100.0
1987.....	58.8	19.4	20.8	2.3	11.4	7.1	0.4	26.2	25.5	-0.0	100.0

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 6

Structural Changes in Demand, in Real Terms

(Percentage Distribution of Gross Domestic Product in 1981 Prices by Component)

1947 – 1987

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Inventory change	Exports of goods and services	Imports of goods and services	Statistical discrepancy	Gross domestic product in 1981 prices
			Total	Government	Non-residential	Housing					
1947.....	57.8	17.2	16.1	2.1	9.6	5.0	2.6	22.6	17.6	-0.2	100.0
1948.....	55.5	16.1	18.0	2.5	10.6	5.7	0.6	22.4	15.5	0.5	100.0
1949.....	56.4	17.0	18.6	2.5	10.8	6.3	0.6	20.3	15.1	-0.1	100.0
1950.....	55.7	17.0	18.5	2.5	10.6	6.6	2.8	18.7	15.1	-0.3	100.0
1951.....	53.9	21.3	17.7	2.5	11.0	5.1	3.5	19.6	16.9	0.6	100.0
1952.....	53.2	24.2	18.2	2.7	11.3	5.1	1.6	20.0	16.2	-0.3	100.0
1953.....	54.1	23.7	19.5	2.8	11.7	6.2	2.3	18.8	16.9	-0.7	100.0
1954.....	56.7	23.1	19.7	3.1	11.1	7.1	-0.6	18.3	16.1	-0.3	100.0
1955.....	56.1	21.5	19.8	2.9	10.7	8.0	1.2	18.0	16.7	-0.4	100.0
1956.....	55.6	20.3	21.5	2.9	12.8	7.6	2.8	17.9	18.0	-1.0	100.0
1957.....	56.2	19.5	22.3	3.5	14.2	6.6	0.5	17.6	17.0	-0.6	100.0
1958.....	57.0	19.6	21.6	3.8	12.3	7.8	-0.6	17.1	15.4	-1.0	100.0
1959.....	57.9	18.7	20.9	3.9	11.4	7.7	0.8	17.0	16.3	-1.1	100.0
1960.....	58.3	18.6	19.7	3.9	11.1	6.4	1.2	17.3	15.8	-1.0	100.0
1961.....	57.2	20.4	19.0	4.2	10.5	6.1	1.3	17.9	15.3	-0.6	100.0
1962.....	56.2	19.8	18.5	4.4	9.9	5.8	1.5	17.5	14.7	-0.1	100.0
1963.....	55.8	19.4	18.4	4.2	10.0	5.7	1.4	18.1	14.3	-0.3	100.0
1964.....	55.3	19.1	19.5	3.9	10.9	6.2	1.6	19.2	15.2	-0.3	100.0
1965.....	55.0	18.8	20.4	4.2	11.6	6.1	2.4	18.8	16.0	-0.6	100.0
1966.....	54.2	19.1	21.1	4.3	12.6	5.4	2.0	20.1	17.1	-0.6	100.0
1967.....	54.8	20.0	20.5	4.3	11.9	5.4	0.6	21.5	17.5	-0.4	100.0
1968.....	54.3	20.5	19.5	4.1	10.9	5.8	1.1	23.0	18.2	-0.5	100.0
1969.....	54.2	20.0	19.5	3.8	10.7	6.2	1.7	23.6	19.5	-0.0	100.0
1970.....	53.9	21.4	19.1	3.7	11.0	5.5	0.7	25.0	18.7	-0.8	100.0
1971.....	54.0	21.1	19.5	3.9	10.7	6.1	0.7	24.9	19.0	-0.8	100.0
1972.....	54.9	20.5	19.2	3.7	10.4	6.3	1.1	25.4	20.4	-0.1	100.0
1973.....	54.8	20.1	19.6	3.4	10.9	6.3	1.6	26.0	21.7	-0.0	100.0
1974.....	55.5	20.4	20.1	3.4	11.3	6.2	2.8	24.4	23.1	0.4	100.0
1975.....	56.7	21.1	20.7	3.4	12.1	6.0	0.9	22.2	21.8	-0.1	100.0
1976.....	56.9	20.3	20.4	3.1	11.5	6.7	1.4	23.1	22.3	0.1	100.0
1977.....	56.6	20.5	20.1	3.0	11.5	6.5	1.0	24.3	21.9	-0.5	100.0
1978.....	56.0	19.9	19.8	2.8	11.4	6.3	0.6	26.4	22.5	0.0	100.0
1979.....	55.5	19.3	20.7	2.6	12.7	6.0	2.0	26.7	24.1	0.1	100.0
1980.....	55.8	19.5	22.4	2.6	14.4	5.6	0.1	27.0	25.0	-0.0	100.0
1981.....	55.1	19.3	24.2	2.7	15.8	5.8	0.3	27.2	26.1	-0.0	100.0
1982.....	55.4	20.4	22.2	2.9	14.4	5.0	-2.7	27.5	22.9	-0.1	100.0
1983.....	55.6	20.1	21.4	2.7	13.1	5.7	-0.7	28.4	24.2	-0.6	100.0
1984.....	54.7	19.1	20.6	2.7	12.5	5.4	1.0	31.4	26.7	-0.2	100.0
1985.....	55.1	18.8	21.3	2.8	12.8	5.6	0.7	31.8	27.6	-0.1	100.0
1986.....	55.7	18.4	21.7	2.6	12.8	6.2	0.8	32.1	28.7	-0.0	100.0
1987.....	56.1	18.0	22.8	2.5	13.4	6.9	0.4	32.7	30.0	-0.0	100.0

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 7

Gross Domestic Product at Market Prices, Canada and Provinces

1961 – 1986

(millions of dollars)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada ⁽¹⁾
1961.....	512	115	1,071	801	10,608	16,674	1,847	1,605	3,223	4,040	90	40,586
1962.....	544	122	1,135	832	11,574	18,056	2,047	2,060	3,470	4,363	94	44,297
1963.....	601	129	1,187	891	12,297	19,296	2,134	2,421	3,737	4,695	100	47,488
1964.....	668	144	1,278	1,002	13,645	21,238	2,327	2,340	4,018	5,208	108	51,976
1965.....	729	161	1,372	1,097	14,970	23,360	2,493	2,530	4,432	5,843	142	57,129
1966.....	829	178	1,513	1,222	16,641	26,182	2,669	2,965	5,016	6,538	155	63,908
1967.....	875	180	1,645	1,289	18,017	28,427	2,892	2,722	5,380	7,113	171	68,711
1968.....	990	196	1,815	1,399	19,195	31,396	3,201	2,896	5,934	7,789	197	75,008
1969.....	1,082	219	2,058	1,538	21,080	34,718	3,462	3,122	6,548	8,871	227	82,925
1970.....	1,204	241	2,220	1,666	22,484	37,131	3,688	3,043	7,097	9,317	263	88,354
1971.....	1,306	257	2,386	1,823	24,271	40,575	3,937	3,450	7,787	10,349	282	96,423
1972.....	1,369	286	2,735	2,079	27,217	45,718	4,340	3,563	8,868	11,880	346	108,401
1973.....	1,609	368	3,124	2,424	30,928	52,736	5,164	4,515	11,241	14,709	449	127,267
1974.....	1,943	424	3,496	2,836	36,342	61,599	6,123	6,069	15,746	17,437	577	152,592
1975.....	2,228	461	3,894	3,112	40,944	68,164	6,915	6,907	18,598	19,486	595	171,304
1976.....	2,647	571	4,521	3,652	47,697	78,188	7,861	7,859	21,321	22,990	609	197,916
1977.....	2,997	602	4,916	3,962	52,211	84,662	8,303	8,130	24,424	25,647	759	216,613
1978.....	3,223	682	5,569	4,459	58,122	92,414	9,208	9,259	28,968	28,732	863	241,499
1979.....	3,907	786	6,093	5,385	64,939	104,363	10,319	10,468	35,480	33,360	1,032	276,132
1980.....	4,095	846	6,292	5,019	72,220	114,994	11,188	12,400	43,148	38,239	1,239	309,680
1981.....	4,643	1,009	7,345	5,953	81,513	131,831	13,160	14,339	49,934	44,691	1,229	355,647
1982.....	5,059	1,051	8,462	6,527	86,228	137,310	14,014	14,760	52,896	46,115	1,476	373,898
1983.....	5,485	1,165	9,629	7,493	92,274	151,945	14,911	15,235	55,386	48,151	1,588	403,262
1984.....	6,030	1,298	10,706	8,359	100,962	170,632	16,559	16,861	59,509	50,994	1,868	443,778
1985.....	6,368	1,320	11,670	8,834	109,076	184,973	17,999	17,311	63,297	54,234	2,010	477,092
1986.....	6,784	1,470	12,578	9,833	119,439	204,411	19,098	17,195	58,268	56,496	2,236	507,808

⁽¹⁾ The figures for Canada are the sums of provincial data and do not include federal government activities abroad and the residual error of estimate.Source: Statistics Canada, *Provincial Income and Expenditure Accounts* (13-213).

Table 7.1

Change in Gross Domestic Product at Market Prices, Canada and Provinces

1962 – 1986

(per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1962.....	6.3	6.1	6.0	3.9	9.1	8.3	10.8	28.3	7.7	8.0	4.4	9.1
1963.....	10.5	5.7	4.6	7.1	6.2	6.9	4.3	17.5	7.7	7.6	6.4	7.2
1964.....	11.1	11.6	7.7	12.5	11.0	10.1	9.0	-3.3	7.5	10.9	8.0	9.5
1965.....	9.1	11.8	7.4	9.5	9.7	10.0	7.1	8.1	10.3	12.2	31.5	9.9
1966.....	13.7	10.6	10.3	11.4	11.2	12.1	7.1	17.2	13.2	11.9	9.2	11.9
1967.....	5.5	1.1	8.7	5.5	8.3	8.6	8.4	-8.2	7.3	8.8	10.3	7.5
1968.....	13.1	8.9	10.3	8.5	6.5	10.4	10.7	6.4	10.3	9.5	15.2	9.2
1969.....	9.3	11.7	13.4	9.9	9.8	10.6	8.2	7.8	10.3	13.9	15.2	10.6
1970.....	11.3	10.0	7.9	8.3	6.7	7.0	6.5	-2.5	8.4	5.0	15.9	6.5
1971.....	8.5	6.6	7.5	9.4	7.9	9.3	6.8	13.4	9.7	11.1	7.2	9.1
1972.....	4.8	11.3	14.6	14.0	12.1	12.7	10.2	3.3	13.9	14.8	22.7	12.4
1973.....	17.5	28.7	14.2	16.6	13.6	15.4	19.0	26.7	26.8	23.8	29.8	17.4
1974.....	20.8	15.2	11.9	17.0	17.5	16.8	18.6	34.4	40.1	18.5	28.5	19.9
1975.....	14.7	8.7	11.4	9.7	12.7	10.7	12.9	13.8	18.1	11.8	3.1	12.3
1976.....	18.8	23.9	16.1	17.4	16.5	14.7	13.7	13.8	14.6	18.0	2.4	15.5
1977.....	13.2	5.4	8.7	8.5	9.5	8.3	5.6	3.4	14.6	11.6	24.6	9.4
1978.....	7.5	13.3	13.3	12.5	11.3	9.2	10.9	13.9	18.6	12.0	13.7	11.5
1979.....	21.2	15.2	9.4	20.8	11.7	12.9	12.1	13.1	22.5	16.1	19.6	14.3
1980.....	4.8	7.6	3.3	-6.8	11.2	10.2	8.4	18.5	21.6	14.6	20.1	12.1
1981.....	13.4	19.3	16.7	18.6	12.9	14.6	17.6	15.6	15.7	16.9	-0.8	14.8
1982.....	9.0	4.2	15.2	9.6	5.8	4.2	6.5	2.9	5.9	3.2	20.1	5.1
1983.....	8.4	10.8	13.8	14.8	7.0	10.7	6.4	3.2	4.7	4.4	7.6	7.9
1984.....	9.9	11.4	11.2	11.6	9.4	12.3	11.1	10.7	7.4	5.9	17.6	10.0
1985.....	5.6	1.7	9.0	5.7	8.0	8.4	8.7	2.7	6.4	6.4	7.6	7.5
1986.....	6.5	11.4	7.8	11.3	9.5	10.5	6.1	-0.7	-7.9	4.2	11.2	6.4

Table 7.2
Distribution of Gross Domestic Product at Market Prices by Province
1961 – 1986
(percentage of total)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	1.3	0.3	2.6	2.0	26.1	41.1	4.6	4.0	7.9	10.0	0.2	100.0
1962.....	1.2	0.3	2.6	1.9	26.1	40.8	4.6	4.7	7.8	9.8	0.2	100.0
1963.....	1.3	0.3	2.5	1.9	25.9	40.6	4.5	5.1	7.9	9.9	0.2	100.0
1964.....	1.3	0.3	2.5	1.9	26.3	40.9	4.5	4.5	7.7	10.0	0.2	100.0
1965.....	1.3	0.3	2.4	1.9	26.2	40.9	4.4	4.4	7.8	10.2	0.2	100.0
1966.....	1.3	0.3	2.4	1.9	26.0	41.0	4.2	4.6	7.8	10.2	0.2	100.0
1967.....	1.3	0.3	2.4	1.9	26.2	41.4	4.2	4.0	7.8	10.4	0.2	100.0
1968.....	1.3	0.3	2.4	1.9	25.6	41.9	4.3	3.9	7.9	10.4	0.3	100.0
1969.....	1.3	0.3	2.5	1.9	25.4	41.9	4.2	3.8	7.9	10.7	0.3	100.0
1970.....	1.4	0.3	2.5	1.9	25.4	42.0	4.2	3.4	8.0	10.5	0.3	100.0
1971.....	1.4	0.3	2.5	1.9	25.2	42.1	4.1	3.6	8.1	10.7	0.3	100.0
1972.....	1.3	0.3	2.5	1.9	25.1	42.2	4.0	3.3	8.2	11.0	0.3	100.0
1973.....	1.3	0.3	2.5	1.9	24.3	41.4	4.1	3.5	8.8	11.6	0.4	100.0
1974.....	1.3	0.3	2.3	1.9	23.8	40.4	4.0	4.0	10.3	11.4	0.4	100.0
1975.....	1.3	0.3	2.3	1.8	23.9	39.8	4.0	4.0	10.9	11.4	0.3	100.0
1976.....	1.3	0.3	2.3	1.8	24.1	39.5	4.0	4.0	10.8	11.6	0.3	100.0
1977.....	1.4	0.3	2.3	1.8	24.1	39.1	3.8	3.8	11.3	11.8	0.4	100.0
1978.....	1.3	0.3	2.3	1.8	24.1	38.3	3.8	3.8	12.0	11.9	0.4	100.0
1979.....	1.4	0.3	2.2	2.0	23.5	37.8	3.7	3.8	12.8	12.1	0.4	100.0
1980.....	1.3	0.3	2.0	1.6	23.3	37.1	3.6	4.0	13.9	12.3	0.4	100.0
1981.....	1.3	0.3	2.1	1.7	22.9	37.1	3.7	4.0	14.0	12.6	0.3	100.0
1982.....	1.4	0.3	2.3	1.7	23.1	36.7	3.7	3.9	14.1	12.3	0.4	100.0
1983.....	1.4	0.3	2.4	1.9	22.9	37.7	3.7	3.8	13.7	11.9	0.4	100.0
1984.....	1.4	0.3	2.4	1.9	22.8	38.4	3.7	3.8	13.4	11.5	0.4	100.0
1985.....	1.3	0.3	2.4	1.9	22.9	38.8	3.8	3.6	13.3	11.4	0.4	100.0
1986.....	1.3	0.3	2.5	1.9	23.5	40.3	3.8	3.4	11.5	11.1	0.4	100.0

Reference Table 8

Gross Domestic Product Per Capita, Canada and Provinces

1961 – 1986

(dollars)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	1,118	1,099	1,453	1,340	2,017	2,674	2,004	1,735	2,420	2,480	2,394	2,225
1962.....	1,162	1,140	1,521	1,375	2,155	2,843	2,187	2,215	2,535	2,628	2,350	2,384
1963.....	1,263	1,194	1,581	1,463	2,244	2,977	2,249	2,595	2,664	2,763	2,439	2,508
1964.....	1,383	1,321	1,693	1,640	2,444	3,203	2,426	2,484	2,810	2,985	2,571	2,694
1965.....	1,494	1,477	1,815	1,784	2,633	3,441	2,583	2,663	3,057	3,252	3,463	2,908
1966.....	1,680	1,641	2,001	1,981	2,879	3,761	2,771	3,103	3,428	3,489	3,596	3,193
1967.....	1,754	1,651	2,164	2,079	3,072	3,989	3,003	2,844	3,611	3,657	3,886	3,372
1968.....	1,957	1,782	2,366	2,238	3,238	4,323	3,297	3,017	3,894	3,889	4,378	3,623
1969.....	2,105	1,973	2,655	2,449	3,522	4,701	3,536	3,259	4,200	4,306	4,830	3,949
1970.....	2,329	2,191	2,839	2,657	3,739	4,917	3,752	3,234	4,450	4,378	5,260	4,149
1971.....	2,501	2,303	3,024	2,873	4,027	5,267	3,984	3,725	4,783	4,737	5,301	4,471
1972.....	2,583	2,540	3,442	3,248	4,496	5,854	4,379	3,898	5,351	5,300	6,092	4,972
1973.....	2,995	3,228	3,884	3,746	5,088	6,668	5,184	4,992	6,653	6,389	7,496	5,774
1974.....	3,588	3,681	4,308	4,339	5,936	7,648	6,077	6,746	9,142	7,340	9,601	6,823
1975.....	4,058	3,937	4,752	4,678	6,626	8,341	6,822	7,612	10,458	8,008	9,520	7,547
1976.....	4,746	4,831	5,456	5,392	7,650	9,461	7,696	8,530	11,600	9,321	9,457	8,608
1977.....	5,354	5,046	5,899	5,792	8,309	10,135	8,082	8,696	12,769	10,261	11,749	9,308
1978.....	5,740	5,636	6,650	6,480	9,222	10,950	8,922	9,813	14,607	11,302	13,056	10,269
1979.....	6,933	6,443	7,238	7,783	10,245	12,276	10,038	11,004	17,284	12,883	15,566	11,628
1980.....	7,240	6,889	7,445	7,217	11,309	13,419	10,916	12,925	20,157	14,343	18,493	12,881
1981.....	8,179	8,237	8,668	8,548	12,661	15,285	12,824	14,808	22,319	16,286	17,837	14,611
1982.....	8,935	8,587	9,961	9,370	13,343	15,778	13,562	15,107	22,854	16,542	20,701	15,210
1983.....	9,599	9,418	11,236	10,656	14,251	17,270	14,261	15,400	23,682	17,112	22,148	16,269
1984.....	10,535	10,376	12,385	11,808	15,552	19,168	15,694	16,853	25,448	17,907	25,519	17,767
1985.....	11,143	10,476	13,398	12,444	16,744	20,538	16,916	17,167	26,952	18,896	26,658	18,958
1986.....	11,937	11,611	14,404	13,841	18,262	22,431	17,829	17,021	24,533	19,556	29,538	20,030

Note: Gross domestic product per capita is obtained by dividing provincial gross domestic product at market prices by population at June 1st.

Source: Statistics Canada, *Postcensal Annual Estimates of Population for Canada, the Provinces and the Territories* at June 1st (91-201); *Provincial Income and Expenditure Accounts* (13-213).

Table 8.1

Change in Gross Domestic Product Per Capita, Canada and Provinces

1962 – 1986

(per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1962.....	4.0	3.7	4.7	2.7	6.8	6.3	9.1	27.7	4.8	6.0	– 1.8	7.1
1963.....	8.6	4.8	3.9	6.4	4.1	4.7	2.8	17.1	5.1	5.1	3.8	5.2
1964.....	9.5	10.6	7.1	12.1	8.9	7.6	7.9	–4.3	5.5	8.0	5.4	7.4
1965.....	8.0	11.8	7.2	8.8	7.8	7.4	6.5	7.2	8.8	8.9	34.7	7.9
1966.....	12.5	11.1	10.3	11.1	9.3	9.3	7.3	16.5	12.2	7.3	3.8	9.8
1967.....	4.4	0.7	8.2	4.9	6.7	6.0	8.4	–8.3	5.3	4.8	8.1	5.6
1968.....	11.6	7.9	9.3	7.7	5.4	8.4	9.8	6.1	7.8	6.3	12.6	7.5
1969.....	7.6	10.7	12.2	9.4	8.8	8.7	7.3	8.0	7.9	10.7	10.3	9.0
1970.....	10.6	11.0	6.9	8.5	6.2	4.6	6.1	–0.8	5.9	1.7	8.9	5.1
1971.....	7.4	5.1	6.5	8.1	7.7	7.1	6.2	15.2	7.5	8.2	0.8	7.8
1972.....	3.3	10.3	13.8	13.1	11.7	11.1	9.9	4.7	11.9	11.9	14.9	11.2
1973.....	16.0	27.1	12.8	15.3	13.2	13.9	18.4	28.0	24.3	20.5	23.1	16.1
1974.....	19.8	14.0	10.9	15.8	16.7	14.7	17.2	35.1	37.4	14.9	28.1	18.2
1975.....	13.1	7.0	10.3	7.8	11.6	9.1	12.3	12.8	14.4	9.1	–0.8	10.6
1976.....	17.0	22.7	14.8	15.3	15.5	13.4	12.8	12.1	10.9	16.4	–0.7	14.1
1977.....	12.8	4.5	8.1	7.4	8.6	7.1	5.0	1.9	10.1	10.1	24.2	8.1
1978.....	7.2	11.7	12.7	11.9	11.0	8.0	10.4	12.8	14.4	10.1	11.1	10.3
1979.....	20.8	14.3	8.9	20.1	11.1	12.1	12.5	12.1	18.3	14.0	19.2	13.2
1980.....	4.4	6.9	2.9	–7.3	10.4	9.3	8.7	17.5	16.6	11.3	18.8	10.8
1981.....	13.0	19.6	16.4	18.4	12.0	13.9	17.5	14.6	10.7	13.5	–3.5	13.4
1982.....	9.2	4.2	14.9	9.6	5.4	3.2	5.8	2.0	2.4	1.6	16.1	4.1
1983.....	7.4	9.7	12.8	13.7	6.8	9.5	5.1	1.9	3.6	3.4	7.0	7.0
1984.....	9.7	10.2	10.2	10.8	9.1	11.0	10.1	9.4	7.5	4.6	15.2	9.2
1985.....	5.8	1.0	8.2	5.4	7.7	7.1	7.8	1.9	5.9	5.5	4.5	6.7
1986.....	7.1	10.8	7.5	11.2	9.1	9.2	5.4	–0.8	–9.0	3.5	10.8	5.7

Table 8.2

Gross Domestic Product Per Capita by Province Relative to the Canadian Average

1961 – 1986

(per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	50.2	49.4	65.3	60.2	90.6	120.2	90.1	78.0	108.7	111.4	107.6	100.0
1962.....	48.8	47.8	63.8	57.7	90.4	119.3	91.7	92.9	106.3	110.3	98.6	100.0
1963.....	50.3	47.6	63.0	58.3	89.4	118.7	89.6	103.4	106.2	110.2	97.2	100.0
1964.....	51.3	49.0	62.8	60.9	90.7	118.9	90.1	92.2	104.3	110.8	95.4	100.0
1965.....	51.4	50.8	62.4	61.3	90.5	118.3	88.8	91.6	105.1	111.8	119.1	100.0
1966.....	52.6	51.4	62.7	62.0	90.2	117.8	86.8	97.2	107.4	109.3	112.6	100.0
1967.....	52.0	49.0	64.2	61.7	91.1	118.3	89.1	84.4	107.1	108.5	115.3	100.0
1968.....	54.0	49.2	65.3	61.8	89.4	119.3	91.0	83.3	107.5	107.3	120.8	100.0
1969.....	53.3	50.0	67.3	62.0	89.2	119.1	89.6	82.5	106.4	109.1	122.3	100.0
1970.....	56.1	52.8	68.4	64.0	90.1	118.5	90.4	77.9	107.3	105.5	126.8	100.0
1971.....	56.0	51.5	67.6	64.3	90.1	117.8	89.1	83.3	107.0	106.0	118.6	100.0
1972.....	51.9	51.1	69.2	65.3	90.4	117.7	88.1	78.4	107.6	106.6	122.5	100.0
1973.....	51.9	55.9	67.3	64.9	88.1	115.5	89.8	86.5	115.2	110.7	129.8	100.0
1974.....	52.6	53.9	63.1	63.6	87.0	112.1	89.1	98.9	134.0	107.6	140.7	100.0
1975.....	53.8	52.2	63.0	62.0	87.8	110.5	90.4	100.9	138.6	106.1	126.1	100.0
1976.....	55.1	56.1	63.4	62.6	88.9	109.9	89.4	99.1	134.8	108.3	109.9	100.0
1977.....	57.5	54.2	63.4	62.2	89.3	108.9	86.8	93.4	137.2	110.2	126.2	100.0
1978.....	55.9	54.9	64.8	63.1	89.8	106.6	86.9	95.6	142.2	110.1	127.1	100.0
1979.....	59.6	55.4	62.2	66.9	88.1	105.6	86.3	94.6	148.6	110.8	133.9	100.0
1980.....	56.2	53.5	57.8	56.0	87.8	104.2	84.7	100.3	156.5	111.4	143.6	100.0
1981.....	56.0	56.4	59.3	58.5	86.7	104.6	87.8	101.4	152.8	111.5	122.1	100.0
1982.....	58.7	56.5	65.5	61.6	87.7	103.7	89.2	99.3	150.3	108.8	136.1	100.0
1983.....	59.0	57.9	69.1	65.5	87.6	106.2	87.7	94.7	145.6	105.2	136.1	100.0
1984.....	59.3	58.4	69.7	66.5	87.5	107.9	88.3	94.9	143.2	100.8	143.6	100.0
1985.....	58.8	55.3	70.7	65.6	88.3	108.3	89.2	90.6	142.2	99.7	140.6	100.0
1986.....	59.6	58.0	71.9	69.1	91.2	112.0	89.0	85.0	122.5	97.6	147.5	100.0

Reference Table 9
Gross Domestic Product, Income Based
 1947 – 1987
 (millions of dollars)

Year	Wages, salaries and supplementary labour income ⁽¹⁾	Corporation profits before taxes	Interest and miscellaneous investment income	Accrued net income of farm operators from farm production	Net income of non-farm unincorporated business including rent	Inventory valuation adjustment	Net domestic income at factor cost	Indirect taxes less subsidies	Capital consumption allowances	Statistical discrepancy	Gross domestic product at market prices
1947.....	6,754	1,891	224	1,100	1,596	-571	10,994	1,678	1,236	32	13,940
1948.....	7,849	2,069	266	1,360	1,713	-506	12,751	1,832	1,459	-73	15,969
1949.....	8,477	2,037	292	1,211	1,887	-112	13,792	1,878	1,657	20	17,347
1950.....	9,152	2,614	403	1,301	2,008	-374	15,104	2,065	1,889	67	19,125
1951.....	10,770	3,170	449	1,868	2,129	-643	17,743	2,548	2,108	-119	22,280
1952.....	12,073	3,070	502	1,878	2,321	114	19,958	2,799	2,347	66	25,170
1953.....	13,062	2,977	564	1,462	2,515	2	20,582	2,994	2,648	171	26,395
1954.....	13,451	2,764	619	918	2,637	87	20,476	3,042	2,947	66	26,531
1955.....	14,369	3,480	758	1,120	2,909	-182	22,454	3,321	3,366	109	29,250
1956.....	16,171	3,932	876	1,283	3,006	-245	25,023	3,731	3,838	310	32,902
1957.....	17,519	3,598	991	908	3,156	-59	26,113	3,975	4,184	195	34,467
1958.....	17,982	3,695	1,076	1,116	3,343	-41	27,171	4,036	4,155	327	35,689
1959.....	19,149	4,023	1,087	1,008	3,440	-108	28,599	4,401	4,478	399	37,877
1960.....	20,141	3,946	1,174	1,026	3,458	-26	29,719	4,587	4,769	373	39,448
1961.....	21,192	4,120	1,277	840	3,565	-31	30,963	4,767	4,919	237	40,886
1962.....	22,792	4,580	1,414	1,379	3,633	-91	33,707	5,369	5,297	35	44,408
1963.....	24,326	5,115	1,550	1,556	3,886	-156	36,277	5,628	5,658	115	47,678
1964.....	26,585	5,911	1,783	1,328	4,060	-120	39,547	6,357	6,148	139	52,191
1965.....	29,633	6,466	1,866	1,449	4,240	-303	43,351	7,181	6,684	307	57,523
1966.....	33,579	6,976	2,010	1,999	4,447	-298	48,713	7,918	7,369	388	64,388
1967.....	37,150	7,158	2,302	1,272	4,676	-354	52,204	8,729	7,881	250	69,064
1968.....	40,385	8,040	2,626	1,367	5,137	-387	57,168	9,520	8,412	318	75,418
1969.....	45,161	8,504	3,186	1,503	5,501	-539	63,316	10,544	9,153	13	83,026
1970.....	48,952	7,942	3,634	1,341	5,680	-160	67,389	11,095	9,948	684	89,116
1971.....	53,758	8,955	4,050	1,493	6,084	-659	73,681	12,053	10,764	792	97,290
1972.....	60,341	11,115	4,654	1,482	6,474	-945	83,121	13,627	11,734	147	108,629
1973.....	69,521	15,697	5,623	2,975	7,062	-2,459	98,419	15,311	13,628	14	127,372
1974.....	82,867	20,472	8,227	3,732	7,397	-4,308	118,387	17,867	16,447	-590	152,111
1975.....	96,623	20,003	9,617	3,887	8,193	-2,728	135,595	17,087	18,760	98	171,540
1976.....	111,884	20,924	12,475	3,378	9,105	-2,147	155,619	20,992	21,454	-141	197,924
1977.....	124,021	22,045	14,791	2,646	9,942	-3,661	169,784	23,188	23,798	1,109	217,879
1978.....	134,933	26,891	18,949	3,281	11,139	-4,968	190,225	24,819	26,619	-59	241,604
1979.....	151,736	35,984	23,315	3,676	11,885	-7,679	218,917	26,635	30,743	-199	276,096
1980.....	171,424	39,795	26,566	3,690	12,908	-7,336	247,047	27,272	35,527	45	309,891
1981.....	197,910	37,654	32,487	3,753	14,100	-7,217	278,687	36,457	40,677	173	355,994
1982.....	211,604	26,848	35,337	3,455	16,860	-3,276	290,828	38,908	44,356	350	374,442
1983.....	221,800	37,072	36,433	2,568	21,061	-2,659	316,275	40,135	47,060	2,247	405,717
1984.....	238,849	45,855	40,888	3,380	23,927	-2,625	350,274	42,714	50,884	863	444,735
1985.....	257,344	48,772	40,258	3,987	26,603	-1,788	375,176	47,176	55,760	653	478,765
1986.....	274,607	46,124	39,586	5,091	29,469	-1,789	393,088	53,825	59,438	132	506,483
1987.....	295,665	57,254	41,278	5,231	32,040	-3,119	428,349	58,011	63,302	30	549,692

⁽¹⁾ Includes military pay and allowances.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Table 9.1
Change in Gross Domestic Product, Income Based
 1948 – 1987
 (per cent)

Year	Wages, salaries and supplementary labour income	Corporation profits before taxes	Interest and miscellaneous investment income	Accrued net income of farm operators from farm production	Net income of non-farm unincorporated business including rent	Net domestic income at factor cost	Indirect taxes less subsidies	Capital consumption allowances	Gross domestic product at market prices
1948.....	16.2	9.4	18.8	23.6	7.3	16.0	9.2	18.0	14.6
1949.....	8.0	-1.5	9.8	-11.0	10.2	8.2	2.5	13.6	8.6
1950.....	8.0	28.3	38.0	7.4	6.4	9.5	10.0	14.0	10.2
1951.....	17.7	21.3	11.4	43.6	6.0	17.5	23.4	11.6	16.5
1952.....	12.1	-3.2	11.8	0.5	9.0	12.5	9.9	11.3	13.0
1953.....	8.2	-3.0	12.4	-22.2	8.4	3.1	7.0	12.8	4.9
1954.....	3.0	-7.2	9.8	-37.2	4.9	-0.5	1.6	11.3	0.5
1955.....	6.8	25.9	22.5	22.0	10.3	9.7	9.2	14.2	10.2
1956.....	12.5	13.0	15.6	14.6	3.3	11.4	12.3	14.0	12.5
1957.....	8.3	-8.5	13.1	-29.2	5.0	4.4	6.5	9.0	4.8
1958.....	2.6	2.7	8.6	22.9	5.9	4.1	1.5	-0.7	3.5
1959.....	6.5	8.9	1.0	-9.7	2.9	5.3	9.0	7.8	6.1
1960.....	5.2	-1.9	8.0	1.8	0.5	3.9	4.2	6.5	4.1
1961.....	5.2	4.4	8.8	-18.1	3.1	4.2	3.9	3.1	3.6
1962.....	7.6	11.2	10.7	64.2	1.9	8.9	12.6	7.7	8.6
1963.....	6.7	11.7	9.6	12.8	7.0	7.6	4.8	6.8	7.4
1964.....	9.3	15.6	15.0	-14.7	4.5	9.0	13.0	8.7	9.5
1965.....	11.5	9.4	4.7	9.1	4.4	9.6	13.0	8.7	10.2
1966.....	13.3	7.9	7.7	38.0	4.9	12.4	10.3	10.2	11.9
1967.....	10.6	2.6	14.5	-36.4	5.1	7.2	10.2	6.9	7.3
1968.....	8.7	12.3	14.1	7.5	9.9	9.5	9.1	6.7	9.2
1969.....	11.8	5.8	21.3	9.9	7.1	10.8	10.8	8.8	10.1
1970.....	8.4	-6.6	14.1	-10.8	3.3	6.4	5.2	8.7	7.3
1971.....	9.8	12.8	11.4	11.3	7.1	9.3	8.6	8.2	9.2
1972.....	12.2	24.1	14.9	-0.7	6.4	12.8	13.1	9.0	11.7
1973.....	15.2	41.2	20.8	100.7	9.1	18.4	12.4	16.1	17.3
1974.....	19.2	30.4	46.3	25.4	4.7	20.3	16.7	20.7	19.4
1975.....	16.6	-2.3	16.9	4.2	10.8	14.5	-4.4	14.1	12.8
1976.....	15.8	4.6	29.7	-13.1	11.1	14.8	22.9	14.4	15.4
1977.....	10.8	5.4	18.6	-21.7	9.2	9.1	10.5	10.9	10.1
1978.....	8.8	22.0	28.1	24.0	12.0	12.0	7.0	11.9	10.9
1979.....	12.5	33.8	23.0	12.0	6.7	15.1	7.3	15.5	14.3
1980.....	13.0	10.6	13.9	0.4	8.6	12.8	2.4	15.6	12.2
1981.....	15.5	-5.4	22.3	1.7	9.2	12.8	33.7	14.5	14.9
1982.....	6.9	-28.7	8.8	-7.9	19.6	4.4	6.7	9.0	5.2
1983.....	4.8	38.1	3.1	-25.7	24.9	8.7	3.2	6.1	8.4
1984.....	7.7	23.7	12.2	31.6	13.6	10.7	6.4	8.1	9.6
1985.....	7.7	6.4	-1.5	18.0	11.2	7.1	10.4	9.6	7.7
1986.....	6.7	-5.4	-1.7	27.7	10.8	4.8	14.1	6.6	5.8
1987.....	7.7	24.1	4.3	2.7	8.7	9.0	7.8	6.5	8.5

Reference Table 10

**Reconciliation of Gross Domestic Product at Market Prices,
Gross National Product at Market Prices and Net National Income at Factor Cost
1947 – 1987**
(millions of current dollars)

Year	Gross domestic product at market prices	Add: investment income received from non-residents	Deduct: investment income paid to non-residents	Gross national product at market prices	Deduct: indirect taxes less subsidies	Deduct: capital consumption allowances	Deduct: statistical discrepancy	Net national income at factor cost
1947.....	13,940	75	397	13,618	1,678	1,236	32	10,672
1948.....	15,969	86	394	15,661	1,832	1,459	-73	12,443
1949.....	17,347	111	466	16,992	1,878	1,657	20	13,437
1950.....	19,125	130	555	18,700	2,065	1,889	67	14,679
1951.....	22,280	144	535	21,889	2,548	2,108	-119	17,352
1952.....	25,170	183	507	24,846	2,799	2,347	66	19,634
1953.....	26,395	194	495	26,094	2,994	2,648	171	20,281
1954.....	26,531	181	520	26,192	3,042	2,947	66	20,137
1955.....	29,250	201	586	28,865	3,321	3,366	109	22,069
1956.....	32,902	196	657	32,441	3,731	3,838	310	24,562
1957.....	34,467	208	771	33,904	3,975	4,184	195	25,550
1958.....	35,689	238	763	35,164	4,036	4,155	327	26,646
1959.....	37,877	251	860	37,268	4,401	4,478	399	27,990
1960.....	39,448	254	870	38,832	4,587	4,769	373	29,103
1961.....	40,886	300	1,022	40,164	4,767	4,919	237	30,241
1962.....	44,408	297	1,068	43,637	5,369	5,297	35	32,936
1963.....	47,678	314	1,162	46,830	5,628	5,658	115	35,429
1964.....	52,191	443	1,351	51,283	6,357	6,148	139	38,639
1965.....	57,523	493	1,485	56,531	7,181	6,684	307	42,359
1966.....	64,388	514	1,634	63,268	7,918	7,369	388	47,593
1967.....	69,064	493	1,733	67,824	8,729	7,881	250	50,964
1968.....	75,418	620	1,841	74,197	9,520	8,412	318	55,947
1969.....	83,026	892	2,099	81,819	10,544	9,153	13	62,109
1970.....	89,116	1,046	2,397	87,765	11,095	9,948	684	66,038
1971.....	97,290	992	2,498	95,784	12,053	10,764	792	72,175
1972.....	108,629	1,024	2,485	107,168	13,627	11,734	147	81,660
1973.....	127,372	1,235	2,965	125,642	15,311	13,628	14	96,689
1974.....	152,111	1,444	3,682	149,873	17,867	16,447	-590	116,149
1975.....	171,540	1,733	4,271	169,002	17,087	18,760	98	133,057
1976.....	197,924	1,679	5,215	194,388	20,992	21,454	-141	152,083
1977.....	217,879	1,806	6,377	213,308	23,188	23,798	1,109	165,213
1978.....	241,604	2,353	8,303	235,654	24,819	26,619	-59	184,275
1979.....	276,096	2,648	9,803	268,941	26,635	30,743	-199	211,762
1980.....	309,891	3,639	11,466	302,064	27,272	35,527	45	239,220
1981.....	355,994	3,993	15,330	344,657	36,457	40,677	173	267,350
1982.....	374,442	5,479	18,149	361,772	38,908	44,356	350	278,158
1983.....	405,717	5,594	17,197	394,114	40,135	47,060	2,247	304,672
1984.....	444,735	6,363	19,849	431,249	42,714	50,884	863	336,788
1985.....	478,765	7,574	21,893	464,446	47,176	55,760	653	360,857
1986.....	506,483	7,207	23,761	489,929	53,825	59,438	132	376,534
1987.....	549,692	6,987	23,594	533,085	58,011	63,302	30	411,742

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Table 10.1

**Change in Components of Reconciliation of Gross Domestic Product at Market Prices,
Gross National Product at Market Prices and Net National Income at Factor Cost**

1948 – 1987

(per cent)

Year	Gross domestic product at market prices	Investment income received from non-residents	Investment income paid to non-residents	Gross national product at market prices	Indirect taxes less subsidies	Capital consumption allowances	Net national income at factor cost
1948.....	14.6	14.7	-0.8	15.0	9.2	18.0	16.6
1949.....	8.6	29.1	18.3	8.5	2.5	13.6	8.0
1950.....	10.2	17.1	19.1	10.1	10.0	14.0	9.2
1951.....	16.5	10.8	-3.6	17.1	23.4	11.6	18.2
1952.....	13.0	27.1	-5.2	13.5	9.9	11.3	13.2
1953.....	4.9	6.0	-2.4	5.0	7.0	12.8	3.3
1954.....	0.5	-6.7	5.1	0.4	1.6	11.3	-0.7
1955.....	10.2	11.0	12.7	10.2	9.2	14.2	9.6
1956.....	12.5	-2.5	12.1	12.4	12.3	14.0	11.3
1957.....	4.8	6.1	17.4	4.5	6.5	9.0	4.0
1958.....	3.5	14.4	-1.0	3.7	1.5	-0.7	4.3
1959.....	6.1	5.5	12.7	6.0	9.0	7.8	5.0
1960.....	4.1	1.2	1.2	4.2	4.2	6.5	4.0
1961.....	3.6	18.1	17.5	3.4	3.9	3.1	3.9
1962.....	8.6	-1.0	4.5	8.6	12.6	7.7	8.9
1963.....	7.4	5.7	8.8	7.3	4.8	6.8	7.6
1964.....	9.5	41.1	16.3	9.5	13.0	8.7	9.1
1965.....	10.2	11.3	9.9	10.2	13.0	8.7	9.6
1966.....	11.9	4.3	10.0	11.9	10.3	10.2	12.4
1967.....	7.3	-4.1	6.1	7.2	10.2	6.9	7.1
1968.....	9.2	25.8	6.2	9.4	9.1	6.7	9.8
1969.....	10.1	43.9	14.0	10.3	10.8	8.8	11.0
1970.....	7.3	17.3	14.2	7.3	5.2	8.7	6.3
1971.....	9.2	-5.2	4.2	9.1	8.6	8.2	9.3
1972.....	11.7	3.2	-0.5	11.9	13.1	9.0	13.1
1973.....	17.3	20.6	19.3	17.2	12.4	16.1	18.4
1974.....	19.4	16.9	24.2	19.3	16.7	20.7	20.1
1975.....	12.8	20.0	16.0	12.8	-4.4	14.1	14.6
1976.....	15.4	-3.1	22.1	15.0	22.9	14.4	14.3
1977.....	10.1	7.6	22.3	9.7	10.5	10.9	8.6
1978.....	10.9	30.3	30.2	10.5	7.0	11.9	11.5
1979.....	14.3	12.5	18.1	14.1	7.3	15.5	14.9
1980.....	12.2	37.4	17.0	12.3	2.4	15.6	13.0
1981.....	14.9	9.7	33.7	14.1	33.7	14.5	11.8
1982.....	5.2	37.2	18.4	5.0	6.7	9.0	4.0
1983.....	8.4	2.1	-5.2	8.9	3.2	6.1	9.5
1984.....	9.6	13.7	15.4	9.4	6.4	8.1	10.5
1985.....	7.7	19.0	10.3	7.7	10.4	9.6	7.1
1986.....	5.8	-4.8	8.5	5.5	14.1	6.6	4.3
1987.....	8.5	-3.1	-0.7	8.8	7.8	6.5	9.4

Reference Table 11

Structural Changes in Income

(Distribution of Gross Domestic Product, by Income Components)

1947 – 1987

(per cent)

Year	Wages, salaries and supplementary labour income ⁽¹⁾	Corporation profits before taxes	Interest and miscellaneous investment income	Accrued net income of farm operators from farm production	Net income of non-farm unincorporated business including rents	Inventory valuation adjustment	Net domestic income at factor cost	Indirect taxes less subsidies	Capital consumption allowances	Statistical discrepancy	Gross domestic product at market prices
1947	48.5	13.6	1.6	7.9	11.4	-4.1	78.9	12.0	8.9	0.2	100.0
1948	49.2	13.0	1.7	8.5	10.7	-3.2	79.8	11.5	9.1	-0.5	100.0
1949	48.9	11.7	1.7	7.0	10.9	-0.6	79.5	10.8	9.6	0.1	100.0
1950	47.9	13.7	2.1	6.8	10.5	-2.0	79.0	10.8	9.9	0.4	100.0
1951	48.3	14.2	2.0	8.4	9.6	-2.9	79.6	11.4	9.5	-0.5	100.0
1952	48.0	12.2	2.0	7.5	9.2	0.5	79.3	11.1	9.3	0.3	100.0
1953	49.5	11.3	2.1	5.5	9.5	0.0	78.0	11.3	10.0	0.6	100.0
1954	50.7	10.4	2.3	3.5	9.9	0.3	77.2	11.5	11.1	0.2	100.0
1955	49.1	11.9	2.6	3.8	9.9	-0.6	76.8	11.4	11.5	0.4	100.0
1956	49.1	12.0	2.7	3.9	9.1	-0.7	76.1	11.3	11.7	0.9	100.0
1957	50.8	10.4	2.9	2.6	9.2	-0.2	75.8	11.5	12.1	0.6	100.0
1958	50.4	10.4	3.0	3.1	9.4	-0.1	76.1	11.3	11.6	0.9	100.0
1959	50.6	10.6	2.9	2.7	9.1	-0.3	75.5	11.6	11.8	1.1	100.0
1960	51.1	10.0	3.0	2.6	8.8	-0.1	75.3	11.6	12.1	0.9	100.0
1961	51.8	10.1	3.1	2.1	8.7	-0.1	75.7	11.7	12.0	0.6	100.0
1962	51.3	10.3	3.2	3.1	8.2	-0.2	75.9	12.1	11.9	0.1	100.0
1963	51.0	10.7	3.3	3.3	8.2	-0.3	76.1	11.8	11.9	0.2	100.0
1964	50.9	11.3	3.4	2.5	7.8	-0.2	75.8	12.2	11.8	0.3	100.0
1965	51.5	11.2	3.2	2.5	7.4	-0.5	75.4	12.5	11.6	0.5	100.0
1966	52.2	10.8	3.1	3.1	6.9	-0.5	75.7	12.3	11.4	0.6	100.0
1967	53.8	10.4	3.3	1.8	6.8	-0.5	75.6	12.6	11.4	0.4	100.0
1968	53.5	10.7	3.5	1.8	6.8	-0.5	75.8	12.6	11.2	0.4	100.0
1969	54.4	10.2	3.8	1.8	6.6	-0.6	76.3	12.7	11.0	0.0	100.0
1970	54.9	8.9	4.1	1.5	6.4	-0.2	75.6	12.5	11.2	0.8	100.0
1971	55.3	9.2	4.2	1.5	6.3	-0.7	75.7	12.4	11.1	0.8	100.0
1972	55.5	10.2	4.3	1.4	6.0	-0.9	76.5	12.5	10.8	0.1	100.0
1973	54.6	12.3	4.4	2.3	5.5	-1.9	77.3	12.0	10.7	0.0	100.0
1974	54.5	13.5	5.4	2.5	4.9	-2.8	77.8	11.7	10.8	-0.4	100.0
1975	56.3	11.7	5.6	2.3	4.8	-1.6	79.0	10.0	10.9	0.1	100.0
1976	56.5	10.6	6.3	1.7	4.6	-1.1	78.6	10.6	10.8	-0.1	100.0
1977	56.9	10.1	6.8	1.2	4.6	-1.7	77.9	10.6	10.9	0.5	100.0
1978	55.8	11.1	7.8	1.4	4.6	-2.1	78.7	10.3	11.0	-0.0	100.0
1979	55.0	13.0	8.4	1.3	4.3	-2.8	79.3	9.6	11.1	-0.1	100.0
1980	55.3	12.8	8.6	1.2	4.2	-2.4	79.7	8.8	11.5	0.0	100.0
1981	55.6	10.6	9.1	1.1	4.0	-2.0	78.3	10.2	11.4	0.0	100.0
1982	56.5	7.2	9.4	0.9	4.5	-0.9	77.7	10.4	11.8	0.1	100.0
1983	54.7	9.1	9.0	0.6	5.2	-0.7	78.0	9.9	11.6	0.6	100.0
1984	53.7	10.3	9.2	0.8	5.4	-0.6	78.8	9.6	11.4	0.2	100.0
1985	53.8	10.2	8.4	0.8	5.6	-0.4	78.4	9.9	11.6	0.1	100.0
1986	54.2	9.1	7.8	1.0	5.8	-0.4	77.6	10.6	11.7	0.0	100.0
1987	53.8	10.4	7.5	1.0	5.8	-0.6	77.9	10.6	11.5	0.0	100.0

⁽¹⁾ Includes military pay and allowances.Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 12

Structural Changes in Net Domestic Income

(Distribution of Net Domestic Income, by Components)

1947 – 1987

(per cent)

Year	Wages, salaries and supple- mentary labour income ⁽¹⁾	Corpo- ration profits before taxes	Interest and miscel- laneous invest- ment income	Accrued net income of farm opera- tors from farm produc- tion	Net income of non- farm unincor- porated busi- ness includ- ing rent	Inven- tory valua- tion adjust- ment	Net domestic income at factor cost
1947	61.4	17.2	2.0	10.0	14.5	-5.2	100.0
1948	61.6	16.2	2.1	10.7	13.4	-4.0	100.0
1949	61.5	14.8	2.1	8.8	13.7	-0.8	100.0
1950	60.6	17.3	2.7	8.6	13.3	-2.5	100.0
1951	60.7	17.9	2.5	10.5	12.0	-3.6	100.0
1952	60.5	15.4	2.5	9.4	11.6	0.6	100.0
1953	63.5	14.5	2.7	7.1	12.2	0.0	100.0
1954	65.7	13.5	3.0	4.5	12.9	0.4	100.0
1955	64.0	15.5	3.4	5.0	13.0	-0.8	100.0
1956	64.6	15.7	3.5	5.1	12.0	-1.0	100.0
1957	67.1	13.8	3.8	3.5	12.1	-0.2	100.0
1958	66.2	13.6	4.0	4.1	12.3	-0.2	100.0
1959	67.0	14.1	3.8	3.5	12.0	-0.4	100.0
1960	67.8	13.3	4.0	3.5	11.6	-0.1	100.0
1961	68.4	13.3	4.1	2.7	11.5	-0.1	100.0
1962	67.6	13.6	4.2	4.1	10.8	-0.3	100.0
1963	67.1	14.1	4.3	4.3	10.7	-0.4	100.0
1964	67.2	14.9	4.5	3.4	10.3	-0.3	100.0
1965	68.4	14.9	4.3	3.3	9.8	-0.7	100.0
1966	68.9	14.3	4.1	4.1	9.1	-0.6	100.0
1967	71.2	13.7	4.4	2.4	9.0	-0.7	100.0
1968	70.6	14.1	4.6	2.4	9.0	-0.7	100.0
1969	71.3	13.4	5.0	2.4	8.7	-0.9	100.0
1970	72.6	11.8	5.4	2.0	8.4	-0.2	100.0
1971	73.0	12.2	5.5	2.0	8.3	-0.9	100.0
1972	72.6	13.4	5.6	1.8	7.8	-1.1	100.0
1973	70.6	15.9	5.7	3.0	7.2	-2.5	100.0
1974	70.0	17.3	6.9	3.2	6.2	-3.6	100.0
1975	71.3	14.8	7.1	2.9	6.0	-2.0	100.0
1976	71.9	13.4	8.0	2.2	5.9	-1.4	100.0
1977	73.0	13.0	8.7	1.6	5.9	-2.2	100.0
1978	70.9	14.1	10.0	1.7	5.9	-2.6	100.0
1979	69.3	16.4	10.7	1.7	5.4	-3.5	100.0
1980	69.4	16.1	10.8	1.5	5.2	-3.0	100.0
1981	71.0	13.5	11.7	1.3	5.1	-2.6	100.0
1982	72.8	9.2	12.2	1.2	5.8	-1.1	100.0
1983	70.1	11.7	11.5	0.8	6.7	-0.8	100.0
1984	68.2	13.1	11.7	1.0	6.8	-0.7	100.0
1985	68.6	13.0	10.7	1.1	7.1	-0.5	100.0
1986	69.9	11.7	10.1	1.3	7.5	-0.5	100.0
1987	69.0	13.4	9.6	1.2	7.5	-0.7	100.0

⁽¹⁾ Includes military pay and allowances.Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 13
Sources and Disposition of Personal Income
1947 – 1987
(millions of dollars)

Year	Sources of personal income						Disposition of personal income						
	Labour income ⁽¹⁾	Net farm income	Net non-farm unincorporated business income ⁽²⁾	Interest dividends and other investment income	Government transfer payments to persons ⁽³⁾	Transfers from corporations and non-residents	Personal income	Transfers to governments Income taxes	Other transfers from persons	Consumer expenditure	Transfers to corporations and non-residents	Personal savings	Personal disposable income
1947.....	6,754	1,066	1,596	722	834	44	11,016	695	267	9,427	58	569	10,054
1948.....	7,849	1,460	1,713	772	857	50	12,701	717	316	10,423	51	1,194	11,668
1949.....	8,477	1,321	1,887	828	944	53	13,510	677	336	11,463	53	981	12,497
1950.....	9,152	1,165	2,008	983	1,025	55	14,388	612	365	12,576	65	770	13,411
1951.....	10,770	1,873	2,129	1,085	1,026	61	16,944	890	466	13,973	82	1,533	15,588
1952.....	12,073	1,833	2,321	1,118	1,347	78	18,770	1,177	493	15,282	95	1,723	17,100
1953.....	13,062	1,495	2,515	1,111	1,452	83	19,718	1,287	545	16,296	114	1,476	17,886
1954.....	13,451	936	2,637	1,133	1,628	83	19,868	1,296	553	17,078	130	811	18,019
1955.....	14,369	1,070	2,909	1,275	1,723	92	21,438	1,297	637	18,543	146	815	19,504
1956.....	16,171	1,255	3,006	1,427	1,760	104	23,723	1,496	728	20,273	166	1,060	21,499
1957.....	17,519	917	3,156	1,605	2,072	108	25,377	1,693	763	21,699	175	1,047	22,921
1958.....	17,982	1,122	3,343	1,694	2,619	120	26,880	1,554	784	23,064	190	1,288	24,542
1959.....	19,149	1,020	3,440	1,886	2,732	134	28,361	1,744	924	24,643	206	844	25,693
1960.....	20,141	1,023	3,458	2,029	3,099	133	29,883	1,979	1,049	25,780	221	854	26,855
1961.....	21,192	813	3,565	2,113	2,732	148	30,563	2,125	1,066	26,240	241	891	27,372
1962.....	22,792	1,375	3,633	2,401	2,934	153	33,288	2,316	1,120	27,985	247	1,620	29,852
1963.....	24,326	1,421	3,886	2,625	3,007	168	35,433	2,487	1,168	29,846	257	1,675	31,778
1964.....	26,585	1,212	4,060	2,900	3,220	185	38,162	2,957	1,269	32,042	275	1,619	33,936
1965.....	29,633	1,489	4,240	3,092	3,452	212	42,118	3,355	1,446	34,714	322	2,281	37,317
1966.....	33,579	1,843	4,447	3,426	3,781	221	47,297	3,903	2,282	37,952	352	2,808	41,112
1967.....	37,150	1,367	4,676	3,760	4,683	241	51,877	4,904	2,541	41,068	413	2,951	44,432
1968.....	40,385	1,627	5,137	4,124	5,465	250	56,988	5,922	2,922	44,842	494	2,808	48,144
1969.....	45,161	1,493	5,501	4,662	6,123	246	63,186	7,464	3,417	49,093	651	2,561	52,305
1970.....	48,952	1,243	5,680	5,081	6,991	275	68,222	8,811	3,795	51,853	714	3,049	55,616
1971.....	53,758	1,433	6,084	5,369	8,294	339	75,277	10,143	3,987	56,271	734	4,142	61,147
1972.....	60,341	1,599	6,474	6,761	9,981	347	85,503	11,385	4,262	63,021	840	5,995	69,856
1973.....	69,521	3,098	7,062	8,466	11,272	419	99,838	13,285	4,806	72,069	1,049	8,629	81,747
1974.....	82,867	3,368	7,397	10,737	13,929	470	118,768	16,155	6,209	84,231	1,423	10,750	96,404
1975.....	96,623	4,016	8,193	11,956	17,259	531	138,578	18,019	7,238	97,566	1,609	14,146	113,321
1976.....	111,884	3,155	9,105	13,707	19,656	620	158,127	21,047	8,841	111,500	1,839	14,900	128,239
1977.....	124,021	2,607	9,942	15,249	22,356	663	174,838	23,656	9,808	123,555	1,962	15,857	141,374
1978.....	134,933	3,241	11,139	19,895	25,185	770	195,163	24,670	11,027	137,427	2,212	19,827	159,466
1979.....	151,736	3,522	11,885	24,716	26,697	911	219,467	27,729	11,886	153,390	3,202	23,260	179,852
1980.....	171,424	3,110	12,908	29,547	30,864	1,037	248,890	32,140	13,097	172,416	4,077	27,160	203,653
1981.....	197,910	4,229	14,100	40,472	35,307	1,197	293,215	39,190	16,343	196,191	5,747	35,744	237,682
1982.....	211,604	3,302	16,860	47,384	44,453	1,234	324,837	43,932	18,044	210,509	5,575	46,777	262,861
1983.....	221,800	2,599	21,061	45,127	51,253	1,212	343,052	46,384	20,655	231,452	4,258	40,303	276,013
1984.....	238,849	3,159	23,927	50,919	54,180	1,205	372,239	49,594	22,299	251,645	4,291	44,410	300,346
1985.....	257,344	4,044	26,603	54,478	58,641	1,215	402,325	54,203	24,414	274,946	4,792	43,970	323,708
1986.....	274,607	5,200	29,469	56,203	62,331	1,329	429,139	62,218	26,612	297,304	5,160	37,845	340,309
1987.....	295,665	5,115	32,040	61,411	67,613	1,428	463,272	69,998	29,416	322,970	6,101	34,787	363,858

(1) Includes military pay and allowances.

(2) Includes rent.

(3) Includes capital assistance.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Table 13.1
Change in Sources and Disposition of Personal Income
 1948 – 1987
 (per cent)

Year	Sources of personal income						Disposition of personal income						
	Labour income	Net farm income	Net non-farm unincorporated business income	Interest dividends and other investment income	Government transfer payments to persons	Transfers from corporations and non-residents	Personal income	Transfers to governments Income taxes	Other transfers from persons	Consumer expenditure	Transfers to corporations and non-residents	Personal savings	Personal disposable income
1948	16.2	37.0	7.3	6.9	2.8	13.6	15.3	3.2	18.4	10.6	-12.1	109.8	16.1
1949	8.0	-9.5	10.2	7.3	10.2	6.0	6.4	-5.6	6.3	10.0	3.9	-17.8	7.1
1950	8.0	-11.8	6.4	18.7	8.6	3.8	6.5	-9.6	8.6	9.7	22.6	-21.5	7.3
1951	17.7	60.8	6.0	10.4	0.1	10.9	17.8	45.4	27.7	11.1	26.2	99.1	16.2
1952	12.1	-2.1	9.0	3.0	31.3	27.9	10.8	32.2	5.8	9.4	15.9	12.4	9.7
1953	8.2	-18.4	8.4	-0.6	7.8	6.4	5.1	9.3	10.5	6.6	20.0	-14.3	4.6
1954	3.0	-37.4	4.9	2.0	12.1	0.0	0.8	0.7	1.5	4.8	14.0	-45.1	0.7
1955	6.8	14.3	10.3	12.5	5.8	10.8	7.9	0.1	15.2	8.6	12.3	0.5	8.2
1956	12.5	17.3	3.3	11.9	2.1	13.0	10.7	15.3	14.3	9.3	13.7	30.1	10.2
1957	8.3	-26.9	5.0	12.5	17.7	3.8	7.0	13.2	4.8	7.0	5.4	-1.2	6.6
1958	2.6	22.4	5.9	5.5	26.4	11.1	5.9	-8.2	2.8	6.3	8.6	23.0	7.1
1959	6.5	-9.1	2.9	11.3	4.3	11.7	5.5	12.2	17.9	6.8	8.4	-34.5	4.7
1960	5.2	0.3	0.5	7.6	13.4	-0.7	5.4	13.5	13.5	4.6	7.3	1.2	4.5
1961	5.2	-20.5	3.1	4.1	-11.8	11.3	2.3	7.4	1.6	1.8	9.0	4.3	1.9
1962	7.6	69.1	1.9	13.6	7.4	3.4	8.9	9.0	5.1	6.7	2.5	81.8	9.1
1963	6.7	3.3	7.0	9.3	2.5	9.8	6.4	7.4	4.3	6.6	4.0	3.4	6.5
1964	9.3	-14.7	4.5	10.5	7.1	10.1	7.7	18.9	8.6	7.4	7.0	-3.3	6.8
1965	11.5	22.9	4.4	6.6	7.2	14.6	10.4	13.5	13.9	8.3	17.1	40.9	10.0
1966	13.3	23.8	4.9	10.8	9.5	4.2	12.3	16.3	57.8	9.3	9.3	23.1	10.2
1967	10.6	-25.8	5.1	9.7	23.9	9.0	9.7	25.6	11.3	8.2	17.3	5.1	8.1
1968	8.7	19.0	9.9	9.7	16.7	3.7	9.9	20.8	15.0	9.2	19.6	-4.8	8.4
1969	11.8	-8.2	7.1	13.0	12.0	-1.6	10.9	26.0	16.9	9.5	31.8	-8.8	8.6
1970	8.4	-16.7	3.3	9.0	14.2	11.8	8.0	18.0	11.1	5.6	9.7	19.1	6.3
1971	9.8	15.3	7.1	5.7	18.6	23.3	10.3	15.1	5.1	8.5	2.8	35.8	9.9
1972	12.2	11.6	6.4	25.9	20.3	2.4	13.6	12.2	6.9	12.0	14.4	44.7	14.2
1973	15.2	93.7	9.1	25.2	12.9	20.7	16.8	16.7	12.8	14.4	24.9	43.9	17.0
1974	19.2	8.7	4.7	26.8	23.6	12.2	19.0	21.6	29.2	16.9	35.7	24.6	17.9
1975	16.6	19.2	10.8	11.4	23.9	13.0	16.7	11.5	16.6	15.8	13.1	31.6	17.5
1976	15.8	-21.4	11.1	14.6	13.9	16.8	14.1	16.8	22.1	14.3	14.3	5.3	13.2
1977	10.8	-17.4	9.2	11.2	13.7	6.9	10.6	12.4	10.9	10.8	6.7	6.4	10.2
1978	8.8	24.3	12.0	30.5	12.7	16.1	11.6	4.3	12.4	11.2	12.7	25.0	12.8
1979	12.5	8.7	6.7	24.2	6.0	18.3	12.5	12.4	7.8	11.6	44.8	17.3	12.8
1980	13.0	-11.7	8.6	19.5	15.6	13.8	13.4	15.9	10.2	12.4	27.3	16.8	13.2
1981	15.5	36.0	9.2	37.0	14.4	15.4	17.8	21.9	24.8	13.8	41.0	31.6	16.7
1982	6.9	-21.9	19.6	17.1	25.9	3.1	10.8	12.1	10.4	7.3	-3.0	30.9	10.6
1983	4.8	-21.3	24.9	-4.8	15.3	-1.8	5.6	5.6	14.5	9.9	-23.6	-13.8	5.0
1984	7.7	21.5	13.6	12.8	5.7	-0.6	8.5	6.9	8.0	8.7	0.8	10.2	8.8
1985	7.7	28.0	11.2	7.0	8.2	0.8	8.1	9.3	9.5	9.3	11.7	-1.0	7.8
1986	6.7	28.6	10.8	3.2	6.3	9.4	6.7	14.8	9.0	8.1	7.7	-13.9	5.1
1987	7.7	-1.6	8.7	9.3	8.5	7.4	8.0	12.5	10.5	8.6	18.2	-8.1	6.9

Reference Table 14

Structural Change in the Sources and Disposition of Personal Income

1947 – 1987

(percentage shares of personal income)

Year	Sources of personal income						Disposition of personal income						
	Labour income	Net farm income	Net non-farm unincorporated business income	Interest dividends and other investment income	Government transfer payments to persons	Transfers from corporations and non-residents	Transfers to governments		Consumer expenditure	Transfers to corporations and non-residents	Personal savings	Personal disposable income	Savings rate ⁽¹⁾
							Income taxes	Other transfers from persons					
1947	61.3	9.7	14.5	6.6	7.6	0.4	6.3	2.4	85.6	0.5	5.2	91.3	5.6
1948	61.8	11.5	13.5	6.1	6.7	0.4	5.6	2.5	82.1	0.4	9.4	91.9	10.2
1949	62.7	9.8	14.0	6.1	7.0	0.4	5.0	2.5	84.8	0.4	7.3	92.5	7.9
1950	63.6	8.1	14.0	6.8	7.1	0.4	4.3	2.5	87.4	0.5	5.4	93.2	5.8
1951	63.6	11.1	12.6	6.4	6.1	0.4	5.3	2.8	82.5	0.5	9.0	92.0	9.8
1952	64.3	9.8	12.4	6.0	7.2	0.4	6.3	2.6	81.4	0.5	9.2	91.1	10.1
1953	66.2	7.6	12.8	5.6	7.4	0.4	6.5	2.8	82.6	0.6	7.5	90.7	8.2
1954	67.7	4.7	13.3	5.7	8.2	0.4	6.5	2.8	86.0	0.7	4.1	90.7	4.5
1955	67.0	5.0	13.6	5.9	8.0	0.4	6.1	3.0	86.5	0.7	3.8	91.0	4.2
1956	68.2	5.3	12.7	6.0	7.4	0.4	6.3	3.1	85.5	0.7	4.5	90.6	4.9
1957	69.0	3.6	12.4	6.3	8.2	0.4	6.7	3.0	85.5	0.7	4.1	90.3	4.6
1958	66.9	4.2	12.4	6.3	9.7	0.4	5.8	2.9	85.8	0.7	4.8	91.3	5.3
1959	67.5	3.6	12.1	6.6	9.6	0.5	6.1	3.3	86.9	0.7	3.0	90.6	3.3
1960	67.4	3.4	11.6	6.8	10.4	0.4	6.6	3.5	86.3	0.7	2.9	89.9	3.1
1961	69.3	2.7	11.7	6.9	8.9	0.5	7.0	3.5	85.9	0.8	2.9	89.6	3.3
1962	68.5	4.1	10.9	7.2	8.8	0.5	7.0	3.4	84.1	0.7	4.9	89.7	5.4
1963	68.7	4.0	11.0	7.4	8.5	0.5	7.0	3.3	84.2	0.7	4.7	89.7	5.3
1964	69.7	3.2	10.6	7.6	8.4	0.5	7.7	3.3	84.0	0.7	4.2	88.9	4.7
1965	70.4	3.5	10.1	7.3	8.2	0.5	8.0	3.4	82.4	0.8	5.4	88.6	6.1
1966	71.0	3.9	9.4	7.2	8.0	0.5	8.3	4.8	80.2	0.7	5.9	86.9	6.8
1967	71.6	2.6	9.0	7.2	9.0	0.5	9.5	4.9	79.2	0.8	5.7	85.6	6.6
1968	70.9	2.9	9.0	7.2	9.6	0.4	10.4	5.1	78.7	0.9	4.9	84.5	5.8
1969	71.5	2.4	8.7	7.4	9.7	0.4	11.8	5.4	77.7	1.0	4.1	82.8	4.9
1970	71.8	1.8	8.3	7.4	10.2	0.4	12.9	5.6	76.0	1.0	4.5	81.5	5.5
1971	71.4	1.9	8.1	7.1	11.0	0.5	13.5	5.3	74.8	1.0	5.5	81.2	6.8
1972	70.6	1.9	7.6	7.9	11.7	0.4	13.3	5.0	73.7	1.0	7.0	81.7	8.5
1973	69.6	3.1	7.1	8.5	11.3	0.4	13.3	4.8	72.2	1.1	8.6	81.9	10.5
1974	69.8	2.8	6.2	9.0	11.7	0.4	13.6	5.2	70.9	1.2	9.1	81.2	11.1
1975	69.7	2.9	5.9	8.6	12.5	0.4	13.0	5.2	70.4	1.2	10.2	81.8	12.5
1976	70.8	2.0	5.8	8.7	12.4	0.4	13.3	5.6	70.5	1.2	9.4	81.1	11.6
1977	70.9	1.5	5.7	8.7	12.8	0.4	13.5	5.6	70.7	1.1	9.1	80.9	11.2
1978	69.1	1.7	5.7	10.2	12.9	0.4	12.6	5.7	70.4	1.1	10.2	81.7	12.4
1979	69.1	1.6	5.4	11.3	12.2	0.4	12.6	5.4	69.9	1.5	10.6	81.9	12.9
1980	68.9	1.2	5.2	11.9	12.4	0.4	12.9	5.3	69.3	1.6	10.9	81.8	13.4
1981	67.5	1.4	4.8	13.8	12.0	0.4	13.4	5.6	66.9	2.0	12.2	81.1	15.0
1982	65.1	1.0	5.2	14.6	13.7	0.4	13.5	5.6	64.8	1.7	14.4	80.9	17.8
1983	64.7	0.8	6.1	13.2	14.9	0.4	13.5	6.0	67.5	1.2	11.7	80.5	14.6
1984	64.2	0.8	6.4	13.7	14.6	0.3	13.3	6.0	67.6	1.2	11.9	80.7	14.7
1985	64.0	1.0	6.6	13.5	14.6	0.3	13.5	6.1	68.3	1.2	10.9	80.5	13.6
1986	64.0	1.2	6.9	13.1	14.5	0.3	14.5	6.2	69.3	1.2	8.8	79.3	11.1
1987	63.8	1.1	6.9	13.3	14.6	0.3	15.1	6.3	69.7	1.3	7.5	78.5	9.5

⁽¹⁾ Personal savings divided by personal disposable income.Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 15
Personal Income, Canada and Provinces
1961 – 1986
(millions of dollars)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	459	105	948	673	7,935	12,373	1,454	1,119	2,229	3,140	65	30,563
1962.....	485	113	995	706	8,593	13,300	1,639	1,545	2,436	3,333	67	33,288
1963.....	522	119	1,047	755	9,117	14,227	1,667	1,697	2,567	3,570	70	35,433
1964.....	563	133	1,115	820	9,980	15,408	1,809	1,569	2,702	3,908	78	38,162
1965.....	618	145	1,194	896	10,976	17,021	1,932	1,809	2,994	4,363	82	42,118
1966.....	702	164	1,313	1,010	12,255	19,248	2,077	2,031	3,408	4,904	91	47,297
1967.....	777	171	1,451	1,082	13,614	21,159	2,323	1,929	3,718	5,443	105	51,877
1968.....	857	186	1,582	1,191	14,620	23,504	2,564	2,187	4,144	5,943	116	56,988
1969.....	940	206	1,758	1,308	16,048	26,339	2,729	2,273	4,612	6,743	140	63,186
1970.....	1,040	233	1,884	1,427	17,251	28,766	2,900	2,162	4,971	7,338	170	68,222
1971.....	1,157	240	2,085	1,587	18,987	31,561	3,176	2,537	5,501	8,188	181	75,277
1972.....	1,326	285	2,424	1,820	21,709	35,565	3,539	2,747	6,289	9,502	214	85,503
1973.....	1,560	355	2,832	2,116	24,971	40,910	4,210	3,602	7,501	11,432	256	99,838
1974.....	1,920	430	3,374	2,555	29,757	48,011	4,921	4,473	9,127	13,783	306	118,768
1975.....	2,297	479	3,889	3,010	34,789	55,167	5,719	5,521	11,064	16,135	367	138,578
1976.....	2,605	573	4,374	3,462	40,407	62,556	6,295	6,005	12,787	18,488	421	158,127
1977.....	2,945	622	4,875	3,789	45,066	68,598	6,903	6,110	14,573	20,691	504	174,838
1978.....	3,201	725	5,479	4,189	49,831	75,832	7,703	6,943	17,262	23,266	563	195,163
1979.....	3,618	800	6,073	4,630	55,825	84,607	8,411	7,734	20,545	26,422	635	219,467
1980.....	3,930	878	6,640	5,139	63,473	94,411	9,209	8,581	24,688	31,057	713	248,890
1981.....	4,497	1,033	7,627	5,928	73,009	110,033	11,251	11,069	30,763	36,960	866	293,215
1982.....	5,045	1,129	8,675	6,711	79,999	122,443	12,495	12,054	34,692	40,405	988	324,837
1983.....	5,465	1,221	9,407	7,261	83,950	131,947	13,192	12,231	35,451	41,666	1,045	343,052
1984.....	5,773	1,353	10,355	7,975	91,559	146,073	14,593	12,973	36,937	43,792	1,182	372,794
1985.....	6,187	1,408	11,296	8,574	99,374	159,133	15,924	14,424	40,115	46,778	1,249	404,707
1986.....	6,600	1,533	12,134	9,156	105,545	172,075	16,929	15,924	42,219	48,812	1,322	432,511

Note: The Canada figure includes personal income of Canadians temporarily abroad (including pay and allowances of Canadian Armed Forces abroad).

Source: Statistics Canada, *Provincial Income and Expenditure Accounts* (13-213).

Table 15.1
Change in Personal Income, Canada and Provinces
 1962 – 1986
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1962.....	5.7	7.6	5.0	4.9	8.3	7.5	12.7	38.1	9.3	6.1	3.1	8.9
1963.....	7.6	5.3	5.2	6.9	6.1	7.0	1.7	9.8	5.4	7.1	4.5	6.4
1964.....	7.9	11.8	6.5	8.6	9.5	8.3	8.5	-7.5	5.3	9.5	11.4	7.7
1965.....	9.8	9.0	7.1	9.3	10.0	10.5	6.8	15.3	10.8	11.6	5.1	10.4
1966.....	13.6	13.1	10.0	12.7	11.7	13.1	7.5	12.3	13.8	12.4	11.0	12.3
1967.....	10.7	4.3	10.5	7.1	11.1	9.9	11.8	-5.0	9.1	11.0	15.4	9.7
1968.....	10.3	8.8	9.0	10.1	7.4	11.1	10.4	13.4	11.5	9.2	10.5	9.9
1969.....	9.7	10.8	11.1	9.8	9.8	12.1	6.4	3.9	11.3	13.5	20.7	10.9
1970.....	10.6	13.1	7.2	9.1	7.5	9.2	6.3	-4.9	7.8	8.8	21.4	8.0
1971.....	11.3	3.0	10.7	11.2	10.1	9.7	9.5	17.3	10.7	11.6	6.5	10.3
1972.....	14.6	18.8	16.3	14.7	14.3	12.7	11.4	8.3	14.3	16.0	18.2	13.6
1973.....	17.6	24.6	16.8	16.3	15.0	15.0	19.0	31.1	19.3	20.3	19.6	16.8
1974.....	23.1	21.1	19.1	20.7	19.2	17.4	16.9	24.2	21.7	20.6	19.5	19.0
1975.....	19.6	11.4	15.3	17.8	16.9	14.9	16.2	23.4	21.2	17.1	19.9	16.7
1976.....	13.4	19.6	12.5	15.0	16.1	13.4	10.1	8.8	15.6	14.6	14.7	14.1
1977.....	13.1	8.6	11.5	9.4	11.5	9.7	9.7	1.7	14.0	11.9	19.7	10.6
1978.....	8.7	16.6	12.4	10.6	10.6	10.5	11.6	13.6	18.5	12.4	11.7	11.6
1979.....	13.0	10.3	10.8	10.5	12.0	11.6	9.2	11.4	19.0	13.6	12.8	12.5
1980.....	8.6	9.8	9.3	11.0	13.7	11.6	9.5	11.0	20.2	17.5	12.3	13.4
1981.....	14.4	17.7	14.9	15.4	15.0	16.5	22.2	29.0	24.6	19.0	21.5	17.8
1982.....	12.2	9.3	13.7	13.2	9.6	11.3	11.1	8.9	12.8	9.3	14.1	10.8
1983.....	8.3	8.1	8.4	8.2	4.9	7.8	5.6	1.5	2.2	3.1	5.8	5.6
1984.....	5.6	10.8	10.1	9.8	9.1	10.7	10.6	6.1	4.2	5.1	13.1	8.7
1985.....	7.2	4.1	9.1	7.5	8.5	8.9	9.1	11.2	8.6	6.8	5.7	8.6
1986.....	6.7	8.9	7.4	6.8	6.2	8.1	6.3	10.4	5.2	4.3	5.8	6.9

Table 15.2

Distribution of Personal Income by Province

1961 – 1986

(percentage of total)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	1.5	0.3	3.1	2.2	26.0	40.5	4.8	3.7	7.3	10.3	0.2	100.0
1962.....	1.5	0.3	3.0	2.1	25.8	40.0	4.9	4.6	7.3	10.0	0.2	100.0
1963.....	1.5	0.3	3.0	2.1	25.7	40.2	4.7	4.8	7.2	10.1	0.2	100.0
1964.....	1.5	0.3	2.9	2.1	26.2	40.4	4.7	4.1	7.1	10.2	0.2	100.0
1965.....	1.5	0.3	2.8	2.1	26.1	40.4	4.6	4.3	7.1	10.4	0.2	100.0
1966.....	1.5	0.3	2.8	2.1	25.9	40.7	4.4	4.3	7.2	10.4	0.2	100.0
1967.....	1.5	0.3	2.8	2.1	26.2	40.8	4.5	3.7	7.2	10.5	0.2	100.0
1968.....	1.5	0.3	2.8	2.1	25.7	41.2	4.5	3.8	7.3	10.4	0.2	100.0
1969.....	1.5	0.3	2.8	2.1	25.4	41.7	4.3	3.6	7.3	10.7	0.2	100.0
1970.....	1.5	0.3	2.8	2.1	25.3	42.2	4.3	3.2	7.3	10.8	0.2	100.0
1971.....	1.5	0.3	2.8	2.1	25.2	41.9	4.2	3.4	7.3	10.9	0.2	100.0
1972.....	1.6	0.3	2.8	2.1	25.4	41.6	4.1	3.2	7.4	11.1	0.3	100.0
1973.....	1.6	0.4	2.8	2.1	25.0	41.0	4.2	3.6	7.5	11.5	0.3	100.0
1974.....	1.6	0.4	2.8	2.2	25.1	40.4	4.1	3.8	7.7	11.6	0.3	100.0
1975.....	1.7	0.3	2.8	2.2	25.1	39.8	4.1	4.0	8.0	11.6	0.3	100.0
1976.....	1.6	0.4	2.8	2.2	25.6	39.6	4.0	3.8	8.1	11.7	0.3	100.0
1977.....	1.7	0.4	2.8	2.2	25.8	39.2	3.9	3.5	8.3	11.8	0.3	100.0
1978.....	1.6	0.4	2.8	2.1	25.5	38.9	3.9	3.6	8.8	11.9	0.3	100.0
1979.....	1.6	0.4	2.8	2.1	25.4	38.6	3.8	3.5	9.4	12.0	0.3	100.0
1980.....	1.6	0.4	2.7	2.1	25.5	37.9	3.7	3.4	9.9	12.5	0.3	100.0
1981.....	1.5	0.4	2.6	2.0	24.9	37.5	3.8	3.8	10.5	12.6	0.3	100.0
1982.....	1.6	0.3	2.7	2.1	24.6	37.7	3.8	3.7	10.7	12.4	0.3	100.0
1983.....	1.6	0.4	2.7	2.1	24.5	38.5	3.8	3.6	10.3	12.1	0.3	100.0
1984.....	1.5	0.4	2.8	2.1	24.6	39.2	3.9	3.5	9.9	11.7	0.3	100.0
1985.....	1.5	0.3	2.8	2.1	24.6	39.3	3.9	3.6	9.9	11.6	0.3	100.0
1986.....	1.5	0.4	2.8	2.1	24.4	39.8	3.9	3.7	9.8	11.3	0.3	100.0

Reference Table 16

Personal Income Per Capita, Canada and Provinces

1961 – 1986

(dollars)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	1,002	1,000	1,286	1,125	1,509	1,984	1,577	1,210	1,673	1,928	1,757	1,676
1962.....	1,036	1,056	1,334	1,167	1,600	2,094	1,751	1,661	1,779	2,008	1,675	1,791
1963.....	1,097	1,102	1,394	1,240	1,663	2,195	1,757	1,819	1,830	2,101	1,707	1,872
1964.....	1,166	1,220	1,477	1,342	1,787	2,324	1,886	1,666	1,891	2,240	1,857	1,978
1965.....	1,266	1,330	1,579	1,457	1,931	2,508	2,002	1,904	2,065	2,428	2,000	2,144
1966.....	1,424	1,505	1,737	1,637	2,120	2,765	2,157	2,127	2,329	2,617	2,116	2,363
1967.....	1,557	1,569	1,909	1,745	2,322	2,969	2,412	2,016	2,495	2,798	2,386	2,546
1968.....	1,694	1,691	2,063	1,906	2,466	3,237	2,641	2,278	2,719	2,967	2,578	2,753
1969.....	1,829	1,856	2,268	2,083	2,681	3,567	2,788	2,373	2,958	3,273	2,979	3,009
1970.....	2,012	2,118	2,409	2,276	2,869	3,810	2,950	2,298	3,117	3,448	3,400	3,203
1971.....	2,216	2,162	2,643	2,499	3,150	4,097	3,215	2,740	3,379	3,747	3,415	3,490
1972.....	2,502	2,522	3,049	2,844	3,586	4,554	3,571	3,005	3,795	4,240	3,754	3,922
1973.....	2,905	3,114	3,522	3,270	4,108	5,173	4,227	3,980	4,438	4,966	4,267	4,529
1974.....	3,549	3,739	4,155	3,907	4,860	5,961	4,887	4,970	5,300	5,801	5,100	5,311
1975.....	4,184	4,094	4,743	4,526	5,630	6,751	5,640	6,087	6,223	6,632	5,825	6,106
1976.....	4,668	4,856	5,276	5,114	6,481	7,570	6,159	6,520	6,957	7,494	6,578	6,877
1977.....	5,259	5,227	5,852	5,539	7,172	8,212	6,722	6,535	7,618	8,276	7,754	7,512
1978.....	5,696	5,992	6,538	6,089	7,907	8,985	7,464	7,363	8,705	9,153	8,530	8,299
1979.....	6,415	6,557	7,213	6,691	8,807	9,953	8,182	8,132	10,007	10,205	9,621	9,242
1980.....	6,943	7,138	7,858	7,394	9,939	11,016	8,984	8,948	11,531	11,649	10,642	10,352
1981.....	7,917	8,398	8,994	8,517	11,340	12,757	10,966	11,435	13,752	13,469	12,551	12,046
1982.....	8,913	9,254	10,206	9,628	12,380	14,071	12,096	12,338	14,986	14,492	13,915	13,214
1983.....	9,571	9,847	10,977	10,329	12,965	14,997	12,624	12,367	15,156	14,807	14,514	13,840
1984.....	10,093	10,824	11,985	11,264	14,103	16,409	13,832	12,960	15,799	15,376	16,912	14,925
1985.....	10,816	11,175	12,969	12,076	15,255	17,670	14,966	14,310	17,077	16,299	16,653	16,082
1986.....	11,620	12,071	13,899	12,878	16,138	18,882	15,807	15,766	17,776	16,896	17,395	17,060

Note: Personal income per capita is obtained by dividing Personal Income by Population at June 1st.

Source: Statistics Canada, *Postcensal Annual Estimates of Population by Marital Status, Age, Sex and Components of Growth for Canada, the Provinces and the Territories at June 1st (91-201)*; *Provincial Income and Expenditure Accounts (13-213)*.

Table 16.1
Change in Personal Income Per Capita, Canada and Provinces
 1962 – 1986
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1962.....	3.4	5.6	3.7	3.7	6.0	5.5	11.0	37.3	6.3	4.1	-4.7	6.9
1963.....	5.9	4.4	4.5	6.3	3.9	4.8	0.3	9.5	2.9	4.6	1.9	4.5
1964.....	6.3	10.7	6.0	8.2	7.5	5.9	7.3	-8.4	3.3	6.6	8.8	5.7
1965.....	8.6	9.0	6.9	8.6	8.1	7.9	6.2	14.3	9.2	8.4	7.7	8.4
1966.....	12.5	13.2	10.0	12.4	9.8	10.2	7.7	11.7	12.8	7.8	5.8	10.2
1967.....	9.3	4.3	9.9	6.6	9.5	7.4	11.8	-5.2	7.1	6.9	12.8	7.7
1968.....	8.8	7.8	8.1	9.2	6.2	9.0	9.5	13.0	9.0	6.0	8.0	8.1
1969.....	8.0	9.8	9.9	9.3	8.7	10.2	5.6	4.2	8.8	10.3	15.6	9.3
1970.....	10.0	14.1	6.2	9.3	7.0	6.8	5.8	-3.2	5.4	5.3	14.1	6.4
1971.....	10.1	2.1	9.7	9.8	9.8	7.5	9.0	19.2	8.4	8.7	0.4	9.0
1972.....	12.9	16.7	15.4	13.8	13.8	11.2	11.1	9.7	12.3	13.2	9.9	12.4
1973.....	16.1	23.5	15.5	15.0	14.6	13.6	18.4	32.4	16.9	17.1	13.7	15.5
1974.....	22.2	20.1	18.0	19.5	18.3	15.2	15.6	24.9	19.4	16.8	19.5	17.3
1975.....	17.9	9.5	14.2	15.8	15.8	13.3	15.4	22.5	17.4	14.3	14.2	15.0
1976.....	11.6	18.6	11.2	13.0	15.1	12.1	9.2	7.1	11.8	13.0	12.9	12.6
1977.....	12.7	7.6	10.9	8.3	10.7	8.5	9.1	0.2	9.5	10.4	17.9	9.2
1978.....	8.3	14.6	11.7	9.9	10.2	9.4	11.0	12.7	14.3	10.6	10.0	10.5
1979.....	12.6	9.4	10.3	9.9	11.4	10.8	9.6	10.4	15.0	11.5	12.8	11.4
1980.....	8.2	8.9	8.9	10.5	12.9	10.7	9.8	10.0	15.2	14.1	10.6	12.0
1981.....	14.0	17.7	14.5	15.2	14.1	15.8	22.1	27.8	19.3	15.6	17.9	16.4
1982.....	12.6	10.2	13.5	13.0	9.2	10.3	10.3	7.9	9.0	7.6	10.9	9.7
1983.....	7.4	6.4	7.6	7.3	4.7	6.6	4.4	0.2	1.1	2.2	4.3	4.7
1984.....	5.5	9.9	9.2	9.1	8.8	9.4	9.6	4.8	4.2	3.8	11.6	7.8
1985.....	7.2	3.2	8.2	7.2	8.2	7.7	8.2	10.4	8.1	6.0	2.8	7.8
1986.....	7.4	8.0	7.2	6.6	5.8	6.9	5.6	10.2	4.1	3.7	4.5	6.1

Table 16.2

Personal Income Per Capita by Province Relative to the Canadian Average

1961 – 1986

(per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Yukon N.W.T.	Canada
1961.....	59.8	59.7	76.7	67.1	90.0	118.4	94.1	72.2	99.8	115.0	104.8	100.0
1962.....	57.8	59.0	74.5	65.2	89.3	116.9	97.8	92.7	99.3	112.1	93.5	100.0
1963.....	58.6	58.9	74.5	66.2	88.8	117.3	93.9	97.2	97.8	112.2	91.2	100.0
1964.....	58.9	61.7	74.7	67.8	90.3	117.5	95.3	84.2	95.6	113.2	93.9	100.0
1965.....	59.0	62.0	73.6	68.0	90.1	117.0	93.4	88.8	96.3	113.2	93.3	100.0
1966.....	60.3	63.7	73.5	69.3	89.7	117.0	91.3	90.0	98.6	110.7	89.5	100.0
1967.....	61.2	61.6	75.0	68.5	91.2	116.6	94.7	79.2	98.0	109.9	93.7	100.0
1968.....	61.5	61.4	74.9	69.2	89.6	117.6	95.9	82.7	98.8	107.8	93.6	100.0
1969.....	60.8	61.7	75.4	69.2	89.1	118.5	92.7	78.9	98.3	108.8	99.0	100.0
1970.....	62.8	66.1	75.2	71.1	89.6	119.0	92.1	71.7	97.3	107.6	106.2	100.0
1971.....	63.5	61.9	75.7	71.6	90.3	117.4	92.1	78.5	96.8	107.4	97.9	100.0
1972.....	63.8	64.3	77.7	72.5	91.4	116.1	91.1	76.6	96.8	108.1	95.7	100.0
1973.....	64.1	68.8	77.8	72.2	90.7	114.2	93.3	87.9	98.0	109.6	94.2	100.0
1974.....	66.8	70.4	78.2	73.6	91.5	112.2	92.0	93.6	99.8	109.2	96.0	100.0
1975.....	68.5	67.0	77.7	74.1	92.2	110.6	92.4	99.7	101.9	108.6	95.4	100.0
1976.....	67.9	70.6	76.7	74.4	94.2	110.1	89.6	94.8	101.2	109.0	95.7	100.0
1977.....	70.0	69.6	77.9	73.7	95.5	109.3	89.5	87.0	101.4	110.2	103.2	100.0
1978.....	68.6	72.2	78.8	73.4	95.3	108.3	89.9	88.7	104.9	110.3	102.8	100.0
1979.....	69.4	70.9	78.0	72.4	95.3	107.7	88.5	88.0	108.3	110.4	104.1	100.0
1980.....	67.1	69.0	75.9	71.4	96.0	106.4	86.8	86.4	111.4	112.5	102.8	100.0
1981.....	65.7	69.7	74.7	70.7	94.1	105.9	91.0	94.9	114.2	111.8	104.2	100.0
1982.....	67.5	70.0	77.2	72.9	93.7	106.5	91.5	93.4	113.4	109.7	105.3	100.0
1983.....	69.2	71.1	79.3	74.6	93.7	108.4	91.2	89.4	109.5	107.0	104.9	100.0
1984.....	67.6	72.5	80.3	75.5	94.5	109.9	92.7	86.8	105.9	103.0	108.5	100.0
1985.....	67.3	69.5	80.6	75.1	94.9	109.9	93.1	89.0	106.2	101.3	103.6	100.0
1986.....	68.1	70.8	81.5	75.5	94.6	110.7	92.7	92.4	104.2	99.0	102.0	100.0

Reference Table 17
Value of Retail Trade, Canada and Regions
 1972 – 1987⁽¹⁾
 (millions of dollars)

Year	Motor vehicle dealers ⁽²⁾	All other types of business	Total all stores						
			Canada	Atlantic region	Quebec	Ontario	Prairie region	British Columbia	Yukon N.W.T.
1972.....	6,240	27,846	34,086	2,786	8,612	13,058	5,568	3,987	75
1973.....	7,422	30,891	38,313	3,095	9,697	14,505	6,281	4,646	89
1974.....	8,303	36,435	44,739	3,638	11,385	16,570	7,603	5,432	111
1975.....	10,184	41,178	51,361	4,167	13,020	19,151	8,955	5,938	131
1976.....	11,058	46,070	57,128	4,625	14,448	21,057	10,183	6,675	141
1977.....	11,750	49,873	61,623	4,921	15,563	22,719	10,967	7,284	168
1978.....	13,480	55,299	68,779	5,615	17,196	25,186	12,355	8,227	199
1979.....	15,421	61,604	77,025	6,295	19,624	27,515	14,191	9,195	205
1980.....	15,698	68,329	84,026	6,628	20,895	29,666	16,027	10,572	238
1981.....	16,547	77,746	94,293	7,245	22,671	33,732	18,361	12,000	283
1982.....	14,413	83,225	97,638	7,720	23,497	35,543	18,813	11,766	299
1983.....	17,198	89,045	106,243	8,695	25,784	39,446	19,761	12,257	300
1984.....	20,847	95,233	116,080	9,567	29,006	43,466	20,702	13,005	335
1985.....	26,027	103,420	129,446	10,553	31,782	49,004	23,428	14,304	376
1986.....	28,688	111,321	140,009	11,262	34,593	53,412	24,782	15,567	393
1987.....	32,248	121,484	153,733	12,415	38,866	59,039	25,879	17,116	417

⁽¹⁾ Retail trade data prior to 1975 were based on samples of retail firms benchmarked to census information; there were overlaps of data benchmarked to different census years. Prior to 1976 retail trade data were obtained from a sample of firms derived from non-census information.

⁽²⁾ Excludes used car dealers.

Note: Figures may not cross-add due to rounding.

Source: Statistics Canada, *Retail Trade* (63-005).

Reference Table 18
Private and Public Investment in Canada
1956 – 1988
(millions of dollars)

Year	Primary and construction industries					Manufacturing				
	Capital expenditures				Total	Capital expenditures				Total
	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture		Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture	
1956.....	583	772	1,355	460	1,816	488	906	1,394	578	1,972
1957.....	585	707	1,292	444	1,736	520	959	1,479	613	2,092
1958.....	426	622	1,047	449	1,496	398	697	1,095	572	1,667
1959.....	453	679	1,131	498	1,629	374	770	1,144	662	1,806
1960.....	511	680	1,191	506	1,697	335	843	1,178	671	1,849
1961.....	654	647	1,301	512	1,813	279	806	1,085	682	1,767
1962.....	647	745	1,392	536	1,928	353	916	1,269	750	2,019
1963.....	659	885	1,544	586	2,130	355	1,003	1,358	801	2,159
1964.....	769	1,059	1,828	660	2,488	443	1,388	1,831	896	2,727
1965.....	844	1,161	2,005	724	2,729	604	1,736	2,340	974	3,314
1966.....	1,066	1,348	2,414	796	3,210	788	2,126	2,914	1,096	4,010
1967.....	1,069	1,427	2,496	854	3,350	677	1,857	2,534	1,156	3,690
1968.....	1,086	1,341	2,427	914	3,341	657	1,542	2,199	1,232	3,431
1969.....	1,203	1,323	2,526	985	3,511	772	1,828	2,600	1,306	3,906
1970.....	1,284	1,268	2,552	1,112	3,664	997	2,226	3,223	1,417	4,640
1971.....	1,605	1,508	3,113	1,212	4,325	873	2,121	2,994	1,483	4,477
1972.....	1,528	1,785	3,313	1,304	4,617	829	2,119	2,948	1,657	4,605
1973.....	1,756	2,102	3,858	1,582	5,439	986	2,682	3,668	1,919	5,587
1974.....	2,184	2,529	4,712	1,899	6,612	1,425	3,525	4,950	2,310	7,260
1975.....	2,619	3,205	5,824	2,198	8,022	1,569	3,953	5,521	2,445	7,967
1976.....	3,094	4,168	7,262	2,540	9,802	1,440	4,026	5,465	2,891	8,357
1977.....	3,683	4,219	7,902	2,772	10,674	1,659	4,422	6,081	3,216	9,297
1978.....	4,058	4,440	8,497	2,972	11,469	1,544	4,635	6,178	3,596	9,774
1979.....	5,798	5,509	11,308	3,629	14,936	1,611	5,833	7,444	4,098	11,541
1980.....	8,302	6,061	14,363	4,501	18,864	2,256	7,491	9,747	4,731	14,478
1981.....	9,426	7,024	16,451	5,256	21,706	3,074	9,665	12,739	4,955	17,694
1982.....	9,622	6,522	16,145	5,087	21,231	2,909	8,584	11,493	4,854	16,347
1983.....	9,510	5,639	15,149	4,940	20,090	1,896	6,963	8,858	5,011	13,870
1984.....	9,791	5,762	15,553	5,137	20,690	1,824	7,063	8,887	5,748	14,635
1985.....	10,472	4,977	15,449	5,564	21,013	2,566	8,951	11,516	6,082	17,598
1986.....	7,803	4,329	12,133	5,270	17,402	2,526	11,724	14,249	6,520	20,770
1987.....	6,787	4,336	11,124	5,345	16,469	2,703	12,250	14,954	6,773	21,727
1988.....	8,316	4,951	13,267	5,784	19,051	2,877	15,485	18,362	7,102	25,464

Note: 1986 figures are actual, 1987 figures are preliminary actual, 1988 figures are intentions.

Source: Statistics Canada, *Private and Public Investment in Canada* (61-205).

Table 18 (continued)

Private and Public Investment in Canada

1956 – 1988

(millions of dollars)

Year	Utilities					Trade, finance and commercial services				
	Capital expenditures				Total	Capital expenditures				Total
	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture		Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture	
1956.....	1,086	638	1,724	640	2,364	327	284	611	138	749
1957.....	1,475	833	2,308	677	2,985	383	307	690	146	836
1958.....	1,405	748	2,153	650	2,803	396	309	705	146	851
1959.....	1,118	724	1,842	703	2,545	462	371	833	168	1,001
1960.....	1,074	698	1,772	713	2,485	466	409	875	168	1,043
1961.....	1,088	610	1,698	723	2,421	451	396	847	162	1,009
1962.....	982	619	1,601	734	2,335	438	422	860	164	1,024
1963.....	1,111	660	1,771	774	2,545	468	450	918	183	1,101
1964.....	1,332	727	2,059	822	2,881	548	494	1,042	195	1,237
1965.....	1,443	980	2,423	867	3,290	705	564	1,269	220	1,489
1966.....	1,666	1,260	2,926	945	3,871	860	667	1,527	248	1,775
1967.....	1,748	1,397	3,145	1,019	4,164	764	770	1,534	272	1,806
1968.....	1,774	1,446	3,220	1,070	4,290	710	762	1,472	300	1,772
1969.....	1,719	1,586	3,305	1,113	4,418	704	952	1,656	299	1,955
1970.....	2,044	1,584	3,628	1,218	4,846	760	985	1,745	323	2,068
1971.....	2,228	1,760	3,988	1,318	5,306	901	1,014	1,915	324	2,239
1972.....	2,357	1,872	4,229	1,424	5,653	1,212	1,430	2,642	355	2,997
1973.....	2,673	2,484	5,157	1,617	6,774	1,685	1,759	3,444	420	3,864
1974.....	3,154	3,087	6,241	2,002	8,243	2,184	2,145	4,329	510	4,839
1975.....	4,403	3,630	8,033	2,229	10,262	2,768	2,448	5,216	591	5,807
1976.....	4,426	3,828	8,254	2,588	10,842	2,724	2,546	5,270	724	5,994
1977.....	5,073	4,115	9,188	2,948	12,136	2,605	2,730	5,335	775	6,110
1978.....	5,626	4,900	10,526	3,393	13,918	2,925	3,402	6,327	912	7,239
1979.....	6,184	5,576	11,760	3,830	15,590	3,932	4,516	8,449	1,099	9,548
1980.....	6,717	6,047	12,763	4,439	17,202	4,430	5,079	9,509	1,222	10,731
1981.....	8,588	7,655	16,244	5,066	21,309	5,236	5,670	10,906	1,395	12,300
1982.....	9,610	8,243	17,853	5,442	23,295	4,820	5,044	9,864	1,472	11,336
1983.....	7,642	7,814	15,457	5,944	21,400	4,441	5,433	9,873	1,532	11,406
1984.....	7,236	7,053	14,288	6,606	20,894	5,066	7,016	12,082	1,888	13,970
1985.....	6,770	6,905	13,675	7,013	20,688	6,105	8,735	14,840	2,190	17,031
1986.....	6,412	6,906	13,318	7,205	20,523	7,990	9,951	17,941	2,521	20,462
1987.....	6,930	7,677	14,607	7,290	21,897	9,489	11,337	20,826	2,683	23,509
1988.....	8,130	9,771	17,901	7,635	25,535	10,159	12,451	22,610	2,872	25,482

Table 18 (continued)
Private and Public Investment in Canada
1956 – 1988
(millions of dollars)

Year	Institutions					Housing		
	Capital expenditures				Total	Capital expenditure		Total
	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture		Construc- tion	Repair expendi- ture	
1956.....	359	43	402	52	454	1,709	256	1,965
1957.....	407	47	454	56	510	1,526	383	1,909
1958.....	457	57	514	57	571	1,906	407	2,313
1959.....	479	57	536	59	595	1,835	431	2,266
1960.....	500	73	573	71	644	1,522	457	1,979
1961.....	536	81	617	78	695	1,497	484	1,981
1962.....	729	105	834	76	910	1,555	513	2,068
1963.....	757	116	873	75	948	1,652	544	2,196
1964.....	648	123	771	79	850	1,990	577	2,567
1965.....	867	145	1,012	82	1,094	2,218	618	2,836
1966.....	1,020	184	1,204	93	1,297	2,180	661	2,841
1967.....	1,107	208	1,315	113	1,428	2,378	713	3,091
1968.....	1,197	225	1,422	118	1,540	2,806	780	3,586
1969.....	1,134	209	1,343	133	1,476	3,384	844	4,228
1970.....	1,095	216	1,311	134	1,445	3,138	871	4,009
1971.....	1,199	236	1,435	152	1,587	4,025	951	4,976
1972.....	993	225	1,218	168	1,386	4,820	1,051	5,871
1973.....	914	228	1,142	175	1,316	5,978	1,188	7,165
1974.....	1,064	275	1,338	199	1,537	7,010	1,451	8,461
1975.....	1,191	293	1,484	224	1,708	7,114	1,576	8,690
1976.....	1,168	317	1,485	256	1,741	10,853	1,817	12,669
1977.....	1,180	335	1,514	313	1,827	11,065	2,061	13,126
1978.....	1,181	362	1,542	344	1,886	11,450	2,329	13,780
1979.....	1,328	363	1,690	369	2,059	11,617	2,649	14,267
1980.....	1,625	506	2,131	420	2,551	11,014	2,862	13,876
1981.....	1,882	606	2,488	544	3,032	13,135	3,229	16,365
1982.....	2,202	738	2,939	720	3,659	10,149	3,433	13,582
1983.....	2,105	802	2,907	695	3,602	12,994	3,857	16,851
1984.....	1,939	955	2,893	711	3,604	12,580	4,067	16,647
1985.....	2,090	981	3,071	697	3,768	21,170	2,975	24,145
1986.....	2,434	1,091	3,524	767	4,291	25,764	3,121	28,885
1987.....	2,612	1,131	3,743	1,124	4,866	32,803	3,200	36,003
1988.....	2,558	1,036	3,593	1,176	4,769	32,351	3,300	35,651

Table 18 (continued)
Private and Public Investment in Canada
 1956 – 1988
 (millions of dollars)

Year	Government departments					Total				
	Capital expenditures					Capital expenditures				
	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture	Total	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture	Total
1956.....	932	80	1,012	282	1,294	5,484	2,723	8,207	2,406	10,613
1957.....	1,025	85	1,110	288	1,398	5,921	2,938	8,859	2,607	11,466
1958.....	1,014	104	1,118	314	1,432	6,002	2,537	8,538	2,595	11,133
1959.....	1,128	108	1,236	341	1,577	5,849	2,709	8,557	2,862	11,419
1960.....	1,171	103	1,274	383	1,657	5,579	2,806	8,385	2,969	11,354
1961.....	1,125	122	1,247	380	1,627	5,630	2,662	8,292	3,021	11,313
1962.....	1,130	128	1,258	388	1,646	5,834	2,935	8,769	3,161	11,930
1963.....	1,154	128	1,282	393	1,675	6,156	3,242	9,398	3,356	12,754
1964.....	1,303	157	1,460	402	1,862	7,033	3,948	10,981	3,631	14,612
1965.....	1,494	174	1,668	442	2,110	8,175	4,760	12,935	3,927	16,862
1966.....	1,702	222	1,924	526	2,450	9,282	5,807	15,089	4,365	19,454
1967.....	1,731	215	1,946	573	2,519	9,474	5,874	15,348	4,700	20,048
1968.....	1,679	230	1,909	604	2,513	9,909	5,546	15,455	5,018	20,473
1969.....	1,908	205	2,113	583	2,696	10,824	6,103	16,927	5,263	22,190
1970.....	2,001	200	2,201	592	2,793	11,319	6,479	17,798	5,667	23,465
1971.....	2,443	271	2,714	620	3,334	13,274	6,910	20,184	6,060	26,244
1972.....	2,731	317	3,048	615	3,663	14,470	7,748	22,218	6,574	28,792
1973.....	2,962	410	3,372	708	4,080	16,953	9,666	26,618	7,608	34,226
1974.....	3,751	551	4,302	819	5,121	20,771	12,111	32,882	9,189	42,072
1975.....	4,392	633	5,025	892	5,917	24,055	14,162	38,216	10,155	48,371
1976.....	4,440	607	5,047	960	6,007	28,144	15,492	43,636	11,775	55,412
1977.....	4,865	648	5,513	1,085	6,598	30,130	16,467	46,598	13,170	59,767
1978.....	5,129	710	5,839	1,151	6,990	31,912	18,448	50,360	14,696	65,055
1979.....	5,377	710	6,087	1,300	7,387	35,847	22,508	58,354	16,974	75,328
1980.....	5,814	853	6,666	1,543	8,210	40,157	26,036	66,193	19,718	85,911
1981.....	6,517	1,124	7,641	1,742	9,383	47,860	31,744	79,604	22,186	101,790
1982.....	7,206	1,113	8,319	2,054	10,373	46,518	30,244	76,761	23,062	99,823
1983.....	7,088	1,192	8,280	2,143	10,423	45,676	27,843	73,519	24,123	97,642
1984.....	7,336	1,759	9,095	2,169	11,263	45,770	29,608	75,378	26,326	101,703
1985.....	8,917	1,866	10,782	1,911	12,694	58,090	32,414	90,504	26,433	116,937
1986.....	8,188	1,968	10,156	2,522	12,678	61,117	35,969	97,086	27,925	125,011
1987.....	8,299	2,175	10,473	2,677	13,150	69,623	38,906	108,529	29,093	137,622
1988.....	9,116	2,340	11,456	2,752	14,208	73,507	46,034	119,541	30,619	150,160

Reference Table 19

Structure of Private and Public Investment by Industry in Canada

1956 – 1988

(percentage distribution)

Year	Primary and construction industries					Manufacturing				
	Capital expenditures			Repair expendi- ture	Total	Capital expenditures			Repair expendi- ture	Total
	Construc- tion	Machinery and equipment	Sub- total			Construc- tion	Machinery and equipment	Sub- total		
1956...	32.1	42.5	74.6	25.4	100.0	24.7	45.9	70.7	29.3	100.0
1957...	33.7	40.7	74.4	25.6	100.0	24.9	45.8	70.7	29.3	100.0
1958...	28.4	41.6	70.0	30.0	100.0	23.9	41.8	65.7	34.3	100.0
1959...	27.8	41.7	69.4	30.6	100.0	20.7	42.6	63.3	36.7	100.0
1960...	30.1	40.0	70.2	29.8	100.0	18.1	45.6	63.7	36.3	100.0
1961...	36.1	35.7	71.8	28.2	100.0	15.8	45.6	61.4	38.6	100.0
1962...	33.6	38.6	72.2	27.8	100.0	17.5	45.4	62.9	37.1	100.0
1963...	30.9	41.5	72.5	27.5	100.0	16.4	46.5	62.9	37.1	100.0
1964...	30.9	42.6	73.5	26.5	100.0	16.2	50.9	67.1	32.9	100.0
1965...	30.9	42.5	73.5	26.5	100.0	18.2	52.4	70.6	29.4	100.0
1966...	33.2	42.0	75.2	24.8	100.0	19.7	53.0	72.7	27.3	100.0
1967...	31.9	42.6	74.5	25.5	100.0	18.3	50.3	68.7	31.3	100.0
1968...	32.5	40.1	72.6	27.4	100.0	19.1	44.9	64.1	35.9	100.0
1969...	34.3	37.7	71.9	28.1	100.0	19.8	46.8	66.6	33.4	100.0
1970...	35.0	34.6	69.7	30.3	100.0	21.5	48.0	69.5	30.5	100.0
1971...	37.1	34.9	72.0	28.0	100.0	19.5	47.4	66.9	33.1	100.0
1972...	33.1	38.7	71.8	28.2	100.0	18.0	46.0	64.0	36.0	100.0
1973...	32.3	38.6	70.9	29.1	100.0	17.6	48.0	65.7	34.3	100.0
1974...	33.0	38.2	71.3	28.7	100.0	19.6	48.5	68.2	31.8	100.0
1975...	32.6	40.0	72.6	27.4	100.0	19.7	49.6	69.3	30.7	100.0
1976...	31.6	42.5	74.1	25.9	100.0	17.2	48.2	65.4	34.6	100.0
1977...	34.5	39.5	74.0	26.0	100.0	17.8	47.6	65.4	34.6	100.0
1978...	35.4	38.7	74.1	25.9	100.0	15.8	47.4	63.2	36.8	100.0
1979...	38.8	36.9	75.7	24.3	100.0	14.0	50.5	64.5	35.5	100.0
1980...	44.0	32.1	76.1	23.9	100.0	15.6	51.7	67.3	32.7	100.0
1981...	43.4	32.4	75.8	24.2	100.0	17.4	54.6	72.0	28.0	100.0
1982...	45.3	30.7	76.0	24.0	100.0	17.8	52.5	70.3	29.7	100.0
1983...	47.3	28.1	75.4	24.6	100.0	13.7	50.2	63.9	36.1	100.0
1984...	47.3	27.9	75.2	24.8	100.0	12.5	48.3	60.7	39.3	100.0
1985...	49.8	23.7	73.5	26.5	100.0	14.6	50.9	65.4	34.6	100.0
1986...	44.8	24.9	69.7	30.3	100.0	12.2	56.4	68.6	31.4	100.0
1987...	41.2	26.3	67.5	32.5	100.0	12.4	56.4	68.8	31.2	100.0
1988...	43.6	26.0	69.6	30.4	100.0	11.3	60.8	72.1	27.9	100.0

Note: 1986 figures are actual, 1987 figures are preliminary actual, 1988 figures are intentions. Figures may not add due to rounding.

Source: Statistics Canada, *Private and Public Investment in Canada* (61-205).

Table 19 (continued)
Private and Public Investment in Canada
 1956 – 1988
 (percentage distribution)

Year	Utilities					Trade, finance and commercial services				
	Capital expenditures				Repair expendi- ture	Capital expenditures				Repair expendi- ture
	Construc- tion	Machinery and equipment	Sub- total	Total		Construc- tion	Machinery and equipment	Sub- total	Total	
1956...	45.9	27.0	72.9	27.1	100.0	43.7	37.9	81.6	18.4	100.0
1957...	49.4	27.9	77.3	22.7	100.0	45.8	36.7	82.5	17.5	100.0
1958...	50.1	26.7	76.8	23.2	100.0	46.5	36.3	82.8	17.2	100.0
1959...	43.9	28.4	72.4	27.6	100.0	46.2	37.1	83.2	16.8	100.0
1960...	43.2	28.1	71.3	28.7	100.0	44.7	39.2	83.9	16.1	100.0
1961...	44.9	25.2	70.1	29.9	100.0	44.7	39.2	83.9	16.1	100.0
1962...	42.1	26.5	68.6	31.4	100.0	42.8	41.2	84.0	16.0	100.0
1963...	43.7	25.9	69.6	30.4	100.0	42.5	40.9	83.4	16.6	100.0
1964...	46.2	25.2	71.5	28.5	100.0	44.3	39.9	84.2	15.8	100.0
1965...	43.9	29.8	73.6	26.4	100.0	47.3	37.9	85.2	14.8	100.0
1966...	43.0	32.5	75.6	24.4	100.0	48.5	37.6	86.0	14.0	100.0
1967...	42.0	33.5	75.5	24.5	100.0	42.3	42.6	84.9	15.1	100.0
1968...	41.4	33.7	75.1	24.9	100.0	40.1	43.0	83.1	16.9	100.0
1969...	38.9	35.9	74.8	25.2	100.0	36.0	48.7	84.7	15.3	100.0
1970...	42.2	32.7	74.9	25.1	100.0	36.8	47.6	84.4	15.6	100.0
1971...	42.0	33.2	75.2	24.8	100.0	40.2	45.3	85.5	14.5	100.0
1972...	41.7	33.1	74.8	25.2	100.0	40.4	47.7	88.2	11.8	100.0
1973...	39.5	36.7	76.1	23.9	100.0	43.6	45.5	89.1	10.9	100.0
1974...	38.3	37.4	75.7	24.3	100.0	45.1	44.3	89.5	10.5	100.0
1975...	42.9	35.4	78.3	21.7	100.0	47.7	42.2	89.8	10.2	100.0
1976...	40.8	35.3	76.1	23.9	100.0	45.5	42.5	87.9	12.1	100.0
1977...	41.8	33.9	75.7	24.3	100.0	42.6	44.7	87.3	12.7	100.0
1978...	40.4	35.2	75.6	24.4	100.0	40.4	47.0	87.4	12.6	100.0
1979...	39.7	35.8	75.4	24.6	100.0	41.2	47.3	88.5	11.5	100.0
1980...	39.0	35.2	74.2	25.8	100.0	41.3	47.3	88.6	11.4	100.0
1981...	40.3	35.9	76.2	23.8	100.0	42.6	46.1	88.7	11.3	100.0
1982...	41.3	35.4	76.6	23.4	100.0	42.5	44.5	87.0	13.0	100.0
1983...	35.7	36.5	72.2	27.8	100.0	38.9	47.6	86.6	13.4	100.0
1984...	34.6	33.8	68.4	31.6	100.0	36.3	50.2	86.5	13.5	100.0
1985...	32.7	33.4	66.1	33.9	100.0	35.8	51.3	87.1	12.9	100.0
1986...	31.2	33.7	64.9	35.1	100.0	39.0	48.6	87.7	12.3	100.0
1987...	31.6	35.1	66.7	33.3	100.0	40.4	48.2	88.6	11.4	100.0
1988...	31.8	38.3	70.1	29.9	100.0	39.9	48.9	88.7	11.3	100.0

Table 19 (continued)
Private and Public Investment in Canada
1956 – 1988
(percentage distribution)

Year	Institutions					Housing		
	Capital expenditures				Total	Capital expenditures		Total
	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture		Construc- tion	Repair expendi- ture	
1956.....	79.1	9.5	88.5	11.5	100.0	87.0	13.0	100.0
1957.....	79.8	9.2	89.0	11.0	100.0	79.9	20.1	100.0
1958.....	80.0	10.0	90.0	10.0	100.0	82.4	17.6	100.0
1959.....	80.5	9.6	90.1	9.9	100.0	81.0	19.0	100.0
1960.....	77.6	11.3	89.0	11.0	100.0	76.9	23.1	100.0
1961.....	77.1	11.7	88.8	11.2	100.0	75.6	24.4	100.0
1962.....	80.1	11.5	91.6	8.4	100.0	75.2	24.8	100.0
1963.....	79.9	12.2	92.1	7.9	100.0	75.2	24.8	100.0
1964.....	76.2	14.5	90.7	9.3	100.0	77.5	22.5	100.0
1965.....	79.3	13.3	92.5	7.5	100.0	78.2	21.8	100.0
1966.....	78.6	14.2	92.8	7.2	100.0	76.7	23.3	100.0
1967.....	77.5	14.6	92.1	7.9	100.0	76.9	23.1	100.0
1968.....	77.7	14.6	92.3	7.7	100.0	78.2	21.8	100.0
1969.....	76.8	14.2	91.0	9.0	100.0	80.0	20.0	100.0
1970.....	75.8	14.9	90.7	9.3	100.0	78.3	21.7	100.0
1971.....	75.6	14.9	90.4	9.6	100.0	80.9	19.1	100.0
1972.....	71.6	16.2	87.9	12.1	100.0	82.1	17.9	100.0
1973.....	69.4	17.3	86.7	13.3	100.0	83.4	16.6	100.0
1974.....	69.2	17.9	87.1	12.9	100.0	82.9	17.1	100.0
1975.....	69.7	17.2	86.9	13.1	100.0	81.9	18.1	100.0
1976.....	67.1	18.2	85.3	14.7	100.0	85.7	14.3	100.0
1977.....	64.6	18.3	82.9	17.1	100.0	84.3	15.7	100.0
1978.....	62.6	19.2	81.8	18.2	100.0	83.1	16.9	100.0
1979.....	64.5	17.6	82.1	17.9	100.0	81.4	18.6	100.0
1980.....	63.7	19.8	83.6	16.4	100.0	79.4	20.6	100.0
1981.....	62.1	20.0	82.1	17.9	100.0	80.3	19.7	100.0
1982.....	60.2	20.2	80.3	19.7	100.0	74.7	25.3	100.0
1983.....	58.4	22.3	80.7	19.3	100.0	77.1	22.9	100.0
1984.....	53.8	26.5	80.3	19.7	100.0	75.6	24.4	100.0
1985.....	55.5	26.0	81.5	18.5	100.0	87.7	12.3	100.0
1986.....	56.7	25.4	82.1	17.9	100.0	89.2	10.8	100.0
1987.....	53.7	23.2	76.9	23.1	100.0	91.1	8.9	100.0
1988.....	53.6	21.7	75.3	24.7	100.0	90.7	9.3	100.0

Table 19 (continued)
Private and Public Investment in Canada
 1956 – 1988
 (percentage distribution)

Year	Government departments					Total				
	Capital expenditures				Total	Capital expenditures				Total
	Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture		Construc- tion	Machinery and equipment	Sub- total	Repair expendi- ture	
1956...	72.0	6.2	78.2	21.8	100.0	51.7	25.7	77.3	22.7	100.0
1957...	73.3	6.1	79.4	20.6	100.0	51.6	25.6	77.3	22.7	100.0
1958...	70.8	7.3	78.1	21.9	100.0	53.9	22.8	76.7	23.3	100.0
1959...	71.5	6.8	78.4	21.6	100.0	51.2	23.7	74.9	25.1	100.0
1960...	70.7	6.2	76.9	23.1	100.0	49.1	24.7	73.8	26.2	100.0
1961...	69.1	7.5	76.6	23.4	100.0	49.8	23.5	73.3	26.7	100.0
1962...	68.7	7.8	76.4	23.6	100.0	48.9	24.6	73.5	26.5	100.0
1963...	68.9	7.6	76.5	23.5	100.0	48.3	25.4	73.7	26.3	100.0
1964...	70.0	8.4	78.4	21.6	100.0	48.1	27.0	75.1	24.9	100.0
1965...	70.8	8.2	79.1	20.9	100.0	48.5	28.2	76.7	23.3	100.0
1966...	69.5	9.1	78.5	21.5	100.0	47.7	29.8	77.6	22.4	100.0
1967...	68.7	8.5	77.3	22.7	100.0	47.3	29.3	76.6	23.4	100.0
1968...	66.8	9.2	76.0	24.0	100.0	48.4	27.1	75.5	24.5	100.0
1969...	70.8	7.6	78.4	21.6	100.0	48.8	27.5	76.3	23.7	100.0
1970...	71.6	7.2	78.8	21.2	100.0	48.2	27.6	75.8	24.2	100.0
1971...	73.3	8.1	81.4	18.6	100.0	50.6	26.3	76.9	23.1	100.0
1972...	74.6	8.7	83.2	16.8	100.0	50.3	26.9	77.2	22.8	100.0
1973...	72.6	10.1	82.6	17.4	100.0	49.5	28.2	77.8	22.2	100.0
1974...	73.2	10.8	84.0	16.0	100.0	49.4	28.8	78.2	21.8	100.0
1975...	74.2	10.7	84.9	15.1	100.0	49.7	29.3	79.0	21.0	100.0
1976...	73.9	10.1	84.0	16.0	100.0	50.8	28.0	78.7	21.3	100.0
1977...	73.7	9.8	83.6	16.4	100.0	50.4	27.6	78.0	22.0	100.0
1978...	73.4	10.2	83.5	16.5	100.0	49.1	28.4	77.4	22.6	100.0
1979...	72.8	9.6	82.4	17.6	100.0	47.6	29.9	77.5	22.5	100.0
1980...	70.8	10.4	81.2	18.8	100.0	46.7	30.3	77.0	23.0	100.0
1981...	69.5	12.0	81.4	18.6	100.0	47.0	31.2	78.2	21.8	100.0
1982...	69.5	10.7	80.2	19.8	100.0	46.6	30.3	76.9	23.1	100.0
1983...	68.0	11.4	79.4	20.6	100.0	46.8	28.5	75.3	24.7	100.0
1984...	65.1	15.6	80.7	19.3	100.0	45.0	29.1	74.1	25.9	100.0
1985...	70.2	14.7	84.9	15.1	100.0	49.7	27.7	77.4	22.6	100.0
1986...	64.6	15.5	80.1	19.9	100.0	48.9	28.8	77.7	22.3	100.0
1987...	63.1	16.5	79.6	20.4	100.0	50.6	28.3	78.9	21.1	100.0
1988...	64.2	16.5	80.6	19.4	100.0	49.0	30.7	79.6	20.4	100.0

Reference Table 20
Private and Public Investment by Region
Capital Expenditures
1956 – 1988
(millions of dollars)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic Region	Que.	Ont.	Man.	Sask.	Alta.	Prairie Region	B.C.	Yukon N.W.T.
1956	100	24	192	196	512	1,883	2,892	376	493	929	1,797	—	—
1957	103	22	194	165	484	2,057	3,307	379	462	854	1,695	—	—
1958	108	30	189	186	513	2,120	3,143	419	484	913	1,817	—	—
1959	116	37	229	204	586	2,148	2,939	492	473	966	1,932	—	—
1960	149	38	238	183	607	2,053	2,889	491	476	958	1,925	—	—
1961	186	39	227	173	625	2,002	2,829	417	463	1,046	1,926	—	—
1962	261	42	223	179	705	2,148	3,033	423	521	989	1,932	—	—
1963	234	42	231	188	696	2,283	3,284	486	606	1,022	2,115	—	—
1964	232	39	271	257	799	2,839	3,733	520	651	1,138	2,309	—	—
1965	228	58	318	335	938	3,221	4,458	530	757	1,307	2,593	—	—
1966	340	57	411	390	1,198	3,441	5,289	651	921	1,553	3,125	1,967	70
1967	360	46	463	378	1,246	3,204	5,417	714	959	1,667	3,340	2,036	103
1968	387	41	461	330	1,219	3,175	5,579	820	943	1,723	3,486	1,883	114
1969	395	44	552	392	1,383	3,376	6,307	901	755	1,914	3,570	2,143	148
1970	503	54	607	471	1,635	3,418	6,928	871	603	1,957	3,431	2,233	153
1971	678	73	628	497	1,876	4,150	7,460	812	664	2,139	3,615	2,899	184
1972	607	72	613	487	1,779	4,824	8,237	970	824	2,383	4,177	2,895	306
1973	634	124	825	636	2,219	5,827	9,715	1,143	979	2,931	5,053	3,433	372
1974	698	118	893	976	2,685	7,398	11,816	1,379	1,262	3,831	6,472	4,096	416
1975	714	118	922	1,159	2,913	9,170	12,920	1,521	1,780	5,007	8,308	4,423	482
1976	829	111	1,041	1,177	3,159	9,813	13,948	1,812	2,180	7,003	10,995	5,197	525
1977	712	131	1,041	1,155	3,038	10,702	14,732	1,897	2,269	7,826	11,992	5,593	540
1978	784	172	1,190	1,310	3,456	10,794	15,561	2,018	2,393	9,431	13,842	6,201	506
1979	1,035	201	1,323	1,652	4,211	11,854	17,093	2,041	3,104	11,920	17,064	7,451	681
1980	1,087	207	1,446	1,469	4,209	12,819	19,106	2,024	3,325	14,210	19,559	9,519	982
1981	1,239	177	1,858	1,507	4,781	13,739	22,741	2,276	4,027	18,497	24,801	11,885	1,657
1982	1,517	182	2,270	1,673	5,643	13,098	22,423	1,955	3,492	17,962	23,409	10,102	2,087
1983	1,690	203	2,705	1,489	6,087	13,947	22,724	2,184	3,745	13,545	19,474	9,346	1,942
1984	1,800	224	2,545	1,574	6,143	15,748	24,891	2,538	3,664	11,874	18,076	8,787	1,733
1985	1,956	272	2,756	1,967	6,950	19,240	31,864	3,200	4,093	13,589	20,882	10,189	1,378
1986	2,026	324	2,851	1,939	7,140	21,030	38,396	3,584	3,773	12,498	19,856	9,576	1,088
1987	1,910	337	3,020	2,127	7,394	24,179	44,046	3,588	4,324	12,913	20,826	11,238	847
1988	2,053	373	3,389	2,207	8,022	26,090	47,617	3,935	4,721	15,298	23,954	12,972	886

Note: 1986 figures are actual, 1987 figures are preliminary actual, 1988 figures are intentions.

Source: Statistics Canada, *Private and Public Investment in Canada* (61-205).

Reference Table 21
Business Non-Residential Construction
Capital Expenditures
1956 – 1988
(millions of dollars)

Year	Total ⁽¹⁾	Machinery and equipment	Non-residential construction	Energy ⁽²⁾	Non-Energy	Resource(3)	Non-Resource
1956	5,084	2,600	2,484	1,085	3,999	2,389	2,695
1957	5,769	2,806	2,963	1,419	4,350	2,750	3,019
1958	5,000	2,376	2,625	1,178	3,823	2,188	2,812
1959	4,950	2,544	2,407	914	4,036	2,008	2,942
1960	5,016	2,630	2,386	923	4,093	2,023	2,993
1961	4,931	2,459	2,472	1,141	3,790	2,194	2,736
1962	5,122	2,702	2,420	1,014	4,108	2,286	2,836
1963	5,591	2,998	2,593	1,140	4,450	2,516	3,075
1964	6,760	3,668	3,092	1,361	5,399	3,019	3,741
1965	8,037	4,441	3,596	1,544	6,493	3,398	4,639
1966	9,781	5,401	4,380	1,892	7,889	4,241	5,540
1967	9,709	5,451	4,258	2,017	7,692	4,425	5,284
1968	9,318	5,091	4,227	2,150	7,168	4,347	4,971
1969	10,087	5,689	4,398	2,281	7,806	4,658	5,429
1970	11,148	6,063	5,085	2,595	8,553	5,141	6,007
1971	12,010	6,403	5,607	2,955	9,055	5,941	6,069
1972	13,132	7,206	5,926	3,156	9,976	6,167	6,965
1973	16,127	9,027	7,100	3,710	12,417	7,227	8,900
1974	20,232	11,285	8,947	4,433	15,800	8,723	11,509
1975	24,594	13,235	11,358	6,086	18,507	11,061	13,533
1976	26,252	14,567	11,684	6,910	19,341	12,535	13,717
1977	28,505	15,485	13,020	7,917	20,588	13,936	14,569
1978	31,528	17,376	14,152	9,398	22,130	15,429	16,099
1979	38,960	21,435	17,525	11,170	27,790	18,703	20,258
1980	46,382	24,678	21,704	13,350	33,031	22,478	23,904
1981	56,340	30,014	26,325	16,504	39,836	28,094	28,246
1982	55,354	28,393	26,961	18,358	36,996	29,170	26,184
1983	49,338	25,849	23,489	15,862	33,476	24,940	24,398
1984	50,810	26,894	23,916	15,070	35,740	23,932	26,878
1985	55,481	29,568	25,913	15,602	39,879	23,943	31,538
1986	57,641	32,910	24,731	12,417	45,224	20,271	37,370
1987	61,510	35,601	25,909	11,802	49,708	20,593	40,917
1988	72,140	42,658	29,482	14,830	57,310	25,121	47,019

(1) Total private and public capital expenditure minus housing, institutions and government departments.

(2) Energy industries includes upstream oil and gas, pipeline gas distribution and electric power industries.

(3) Resource related industries include agriculture, fishing, forestry, mining, pipeline, electric power gas distribution and manufacturing industries of wood, pulp and paper, and petroleum refining.

Source: Statistics Canada, *Private and Public Investment in Canada* (61-205).

Reference Table 21.1
Change in Business Non-Residential Construction
Capital Expenditures
1957 – 1988
(per cent)

Year	Total	Machinery and equipment	Non- residential construction	Energy	Non- Energy	Resource	Non- Resource
1957.....	13.5	7.9	19.3	30.8	8.8	15.1	12.0
1958.....	-13.3	-15.3	-11.4	-17.0	-12.1	-20.5	-6.8
1959.....	-1.0	7.1	-8.3	-22.4	5.6	-8.2	4.6
1960.....	1.3	3.4	-0.8	1.0	1.4	0.7	1.7
1961.....	-1.7	-6.5	3.6	23.6	-7.4	8.5	-8.6
1962.....	3.9	9.9	-2.1	-11.1	8.4	4.2	3.6
1963.....	9.1	10.9	7.1	12.5	8.3	10.0	8.4
1964.....	20.9	22.4	19.2	19.3	21.3	20.0	21.7
1965.....	18.9	21.1	16.3	13.4	20.3	12.6	24.0
1966.....	21.7	21.6	21.8	22.6	21.5	24.8	19.4
1967.....	-0.7	0.9	-2.8	6.6	-2.5	4.3	-4.6
1968.....	-4.0	-6.6	-0.7	6.6	-6.8	-1.7	-5.9
1969.....	8.3	11.7	4.0	6.1	8.9	7.1	9.2
1970.....	10.5	6.6	15.6	13.8	9.6	10.4	10.6
1971.....	7.7	5.6	10.3	13.9	5.9	15.6	1.0
1972.....	9.3	12.5	5.7	6.8	10.2	3.8	14.8
1973.....	22.8	25.3	19.8	17.6	24.5	17.2	27.8
1974.....	25.5	25.0	26.0	19.5	27.2	20.7	29.3
1975.....	21.6	17.3	27.0	37.3	17.1	26.8	17.6
1976.....	6.7	10.1	2.9	13.5	4.5	13.3	1.4
1977.....	8.6	6.3	11.4	14.6	6.4	11.2	6.2
1978.....	10.6	12.2	8.7	18.7	7.5	10.7	10.5
1979.....	23.6	23.4	23.8	18.9	25.6	21.2	25.8
1980.....	19.0	15.1	23.8	19.5	18.9	20.2	18.0
1981.....	21.5	21.6	21.3	23.6	20.6	25.0	18.2
1982.....	-1.7	-5.4	2.4	11.2	-7.1	3.8	-7.3
1983.....	-10.9	-9.0	-12.9	-13.6	-9.5	-14.5	-6.8
1984.....	3.0	4.0	1.8	-5.0	6.8	-4.0	10.2
1985.....	9.2	9.9	8.4	3.5	11.6	0.0	17.3
1986.....	3.9	11.3	-4.6	-20.4	13.4	-15.3	18.5
1987.....	6.7	8.2	4.8	-5.0	9.9	1.6	9.5
1988.....	17.3	19.8	13.8	25.7	15.3	22.0	14.9

Reference Table 22

Business Capital Expenditures by Region⁽¹⁾

1956 – 1988

(millions of dollars)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic Region	Que.	Ont.	Man.	Sask.	Alta.	Prairie Region	B.C. ⁽²⁾	Yukon and N.W.T.	Canada
1956.....	48	12	100	100	261	1,093	1,788	214	376	609	1,199	721	—	5,062
1957.....	56	10	93	83	243	1,318	2,200	248	329	539	1,116	893	—	5,770
1958.....	45	16	89	84	233	1,262	1,827	268	334	549	1,150	529	—	5,000
1959.....	54	14	100	120	288	1,317	1,638	320	311	588	1,218	489	—	4,951
1960.....	72	16	109	102	298	1,287	1,676	309	314	628	1,251	504	—	5,016
1961.....	117	18	112	90	337	1,223	1,591	234	293	708	1,235	543	—	4,929
1962.....	191	16	102	96	405	1,238	1,731	262	326	601	1,189	558	—	5,122
1963.....	142	20	121	112	394	1,319	1,839	313	425	692	1,431	607	—	5,590
1964.....	126	20	160	159	466	1,656	2,221	316	460	795	1,570	847	—	6,761
1965.....	113	20	169	219	521	1,909	2,690	328	521	922	1,771	1,143	—	8,035
1966.....	208	20	225	249	702	2,225	3,313	406	666	1,073	2,145	1,360	36	9,780
1967.....	232	22	274	215	742	1,970	3,257	477	702	1,125	2,303	1,377	59	9,708
1968.....	246	19	248	176	689	1,853	3,123	547	675	1,159	2,381	1,200	71	9,318
1969.....	279	19	298	245	841	1,847	3,619	539	513	1,271	2,323	1,355	103	10,087
1970.....	375	20	378	279	1,052	1,883	4,340	528	408	1,363	2,300	1,463	108	11,146
1971.....	489	20	373	304	1,185	2,141	4,377	463	444	1,376	2,282	1,896	128	12,010
1972.....	397	23	376	260	1,056	2,719	4,696	581	577	1,587	2,745	1,691	226	13,132
1973.....	368	41	527	326	1,262	3,421	5,622	724	676	2,067	3,466	2,058	298	16,127
1974.....	350	45	526	571	1,492	4,468	7,058	914	819	2,720	4,453	2,441	321	20,232
1975.....	330	45	508	715	1,597	5,880	8,363	1,070	1,149	3,556	5,775	2,621	358	24,594
1976.....	395	51	550	657	1,653	5,676	8,409	1,218	1,348	4,732	7,298	2,821	394	26,251
1977.....	345	63	582	691	1,681	6,320	8,989	1,208	1,398	5,299	7,905	3,201	410	28,505
1978.....	406	68	653	801	1,928	6,782	9,802	1,200	1,520	6,214	8,934	3,746	336	31,528
1979.....	609	80	771	1,077	2,538	7,797	11,412	1,363	2,075	8,332	11,769	4,947	497	38,960
1980.....	629	105	926	976	2,636	8,760	13,647	1,458	2,390	10,433	14,281	6,254	804	46,382
1981.....	831	88	1,219	1,038	3,176	9,432	16,356	1,672	3,127	13,612	18,411	7,478	1,486	56,340
1982.....	1,098	107	1,655	1,174	4,034	9,354	16,287	1,416	2,625	12,904	16,945	6,819	1,915	55,354
1983.....	1,139	113	1,925	823	4,000	8,566	15,346	1,360	2,700	9,631	13,692	5,966	1,768	49,338
1984.....	1,245	108	1,682	896	3,931	9,613	16,679	1,625	2,678	9,024	13,327	5,762	1,497	50,810
1985.....	1,269	107	1,637	1,036	4,048	10,343	19,502	1,801	2,797	9,967	14,565	5,915	1,108	55,481
1986.....	1,243	118	1,550	970	3,880	11,285	23,447	1,944	2,392	8,670	13,006	5,306	717	57,641
1987.....	1,078	115	1,522	980	3,695	12,756	25,145	1,917	2,695	8,937	13,548	5,975	391	61,510
1988.....	1,187	124	1,808	1,025	4,144	15,088	28,600	2,209	3,137	11,414	16,760	7,125	422	72,140

Note: 1986 figures are actual, 1987 are preliminary actuals, 1988 figures are intentions.

⁽¹⁾ Total private and public expenditures minus housing, institutions and government departments.⁽²⁾ 1956 to 1965 includes figures for Yukon and Northwest Territories.Source: Statistics Canada, *Private and Public Investment in Canada* (61-205).

Table 22.1
Change in Business Capital Expenditures by Region
 1957 – 1988
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic Region	Que.	Ont.	Man.	Sask.	Alta.	Prairie Region	B.C.	Yukon and N.W.T.	Canada
1957.....	16.0	-16.3	-7.2	-16.7	-7.0	20.6	23.0	16.1	-12.6	-11.5	-6.9	23.8	—	14.0
1958.....	-20.1	50.5	-4.5	0.6	-4.0	-4.3	-17.0	7.8	1.6	1.8	3.1	-40.8	—	-13.3
1959.....	21.3	-9.0	12.6	42.8	23.7	4.4	-10.3	19.4	-6.8	7.1	5.9	-7.5	—	-1.0
1960.....	32.4	13.5	8.4	-14.6	3.6	-2.3	2.3	-3.3	1.0	6.8	2.7	3.0	—	1.3
1961.....	63.9	11.9	2.7	-11.7	12.9	-5.0	-5.0	-24.2	-6.8	12.9	-1.2	7.7	—	-1.7
1962.....	63.1	-11.2	-8.2	6.4	20.4	1.3	8.7	11.9	11.3	-15.1	-3.7	2.9	—	3.9
1963.....	-25.5	24.5	17.8	16.2	-2.7	6.5	6.3	19.6	30.5	15.2	20.4	8.6	—	9.1
1964.....	-11.2	0.5	33.0	42.8	18.2	25.5	20.8	0.8	8.1	14.8	9.7	39.6	—	20.9
1965.....	-10.7	2.5	5.4	37.2	11.8	15.3	21.1	3.8	13.2	16.1	12.8	35.0	—	18.8
1966.....	84.1	-3.4	32.9	13.9	34.6	16.5	23.1	23.9	27.8	16.3	21.1	18.9	—	21.7
1967.....	11.5	9.6	22.0	-13.8	5.8	-11.5	-1.7	17.3	5.4	4.8	7.4	1.3	60.7	-0.7
1968.....	5.9	-9.7	-9.4	-18.2	-7.2	-5.9	-4.1	14.8	-3.8	3.0	3.4	-12.9	21.4	-4.0
1969.....	13.8	-0.5	19.9	39.3	22.1	-0.4	15.9	-1.4	-23.9	9.7	-2.4	12.9	44.9	8.3
1970.....	34.3	2.1	27.0	14.2	25.1	2.0	19.9	-2.0	-20.4	7.3	-1.0	7.9	4.7	10.5
1971.....	30.3	0.5	-1.2	8.7	12.6	13.7	0.8	-12.4	8.7	0.9	-0.8	29.6	18.9	7.7
1972.....	-18.8	17.6	0.7	-14.3	-10.9	27.0	7.3	25.5	29.9	15.4	20.2	-10.8	76.4	9.3
1973.....	-7.4	76.5	40.2	25.3	19.5	25.8	19.7	24.7	17.1	30.2	26.3	21.7	31.7	22.8
1974.....	-4.9	9.7	-0.2	75.0	18.2	30.6	25.5	26.4	21.2	31.6	28.5	18.6	7.9	25.5
1975.....	-5.6	-1.3	-3.4	25.2	7.1	31.6	18.5	17.0	40.3	30.7	29.7	7.4	11.3	21.6
1976.....	19.7	13.9	8.2	-8.0	3.5	-3.5	0.5	13.8	17.4	33.1	26.4	7.7	10.2	6.7
1977.....	-12.7	24.2	5.8	5.1	1.7	11.3	6.9	-0.8	3.7	12.0	8.3	13.4	4.0	8.6
1978.....	17.6	7.0	12.3	16.0	14.7	7.3	9.0	-0.7	8.8	17.3	13.0	17.0	-17.9	10.6
1979.....	50.2	19.1	18.1	34.4	31.7	15.0	16.4	13.6	36.5	34.1	31.7	32.1	47.9	23.6
1980.....	3.3	30.3	20.1	-9.4	3.9	12.3	19.6	7.0	15.2	25.2	21.3	26.4	61.6	19.0
1981.....	32.0	-15.7	31.7	6.3	20.5	7.7	19.9	14.7	30.9	30.5	28.9	19.6	84.9	21.5
1982.....	32.2	20.7	35.8	13.1	27.0	-0.8	-0.4	-15.3	-16.1	-5.2	-8.0	-8.8	28.8	-1.7
1983.....	3.7	6.0	16.3	-29.9	-0.8	-8.4	-5.8	-4.0	2.9	-25.4	-19.2	-12.5	-7.7	-10.9
1984.....	9.3	-4.7	-12.6	8.9	-1.7	12.2	8.7	19.4	-0.8	-6.3	-2.7	-3.4	-15.3	3.0
1985.....	1.9	-0.6	-2.7	15.6	3.0	7.6	16.9	10.9	4.4	10.4	9.3	2.7	-26.0	9.2
1986.....	-2.0	10.1	-5.3	-6.4	-4.1	9.1	20.2	7.9	-14.5	-13.0	-10.7	-10.3	-35.3	3.9
1987.....	-13.3	-2.5	-1.8	1.1	-4.8	13.0	7.2	-1.4	12.7	3.1	4.2	12.6	-45.5	6.7
1988.....	10.2	7.5	18.8	4.6	12.2	18.3	13.7	15.3	16.4	27.7	23.7	19.3	8.0	17.3

Reference Table 23
Dwelling Starts, Completions and Under Construction
 1948 – 1987
 (number of units)

Year	Starts			Completions			Under construction ⁽¹⁾	
	Centres of 5,000 population and over ⁽²⁾	Other areas	Total	Centres of 5,000 population and over ⁽²⁾	Other areas	Total	Centres of 5,000 population and over ⁽²⁾	Total
1948.....	57,888	32,306	90,194	48,006	28,091	76,097	39,217	56,456
1949.....	58,125	32,384	90,509	59,785	28,448	88,233	37,344	58,169
1950.....	68,599	23,932	92,531	62,847	26,168	89,015	41,510	60,538
1951.....	47,374	21,205	68,579	61,167	20,143	81,310	26,783	45,926
1952.....	63,443	19,803	83,246	54,346	18,741	73,087	36,998	55,689
1953.....	80,313	22,096	102,409	73,375	23,464	96,839	42,808	59,923
1954.....	89,755	23,772	113,527	80,593	21,372	101,965	51,302	68,641
1955.....	97,386	40,890	138,276	93,942	33,987	127,929	53,677	79,339
1956.....	87,309	40,002	127,311	95,152	40,548	135,700	44,386	68,579
1957.....	84,875	37,465	122,340	80,995	36,288	117,283	49,508	72,573
1958.....	121,695	42,937	164,632	107,839	38,847	146,686	63,080	88,162
1959.....	105,991	35,354	141,345	108,059	37,612	145,671	59,879	81,905
1960.....	76,687	32,171	108,858	90,513	33,244	123,757	44,975	65,773
1961.....	92,741	32,836	125,577	83,148	32,460	115,608	53,195	73,583
1962.....	102,008	28,087	130,095	98,530	28,152	126,682	59,387	76,153
1963.....	118,512	30,112	148,624	99,133	29,058	128,191	77,929	96,613
1964.....	133,562	32,096	165,658	121,378	29,585	150,963	88,493	107,718
1965.....	135,218	31,347	166,565	122,197	30,840	153,037	99,815	119,854
1966.....	108,329	26,145	134,474	134,569	27,623	162,192	71,477	88,621
1967.....	131,858	32,265	164,123	120,163	29,079	149,242	82,616	102,716
1968.....	162,267	34,611	196,878	136,337	34,656	170,993	106,834	126,638
1969.....	169,739	40,676	210,415	159,089	36,737	195,826	114,386	137,357
1970.....	150,999	39,529	190,528	138,576	37,251	175,827	123,901	148,185
1971.....	180,948	52,705	233,653	155,892	45,340	201,232	145,885	177,257
1972.....	206,954	42,960	249,914	192,984	39,243	232,227	163,318	188,630
1973.....	211,543	56,986	268,529	197,513	49,068	246,581	174,852	207,236
1974.....	169,437	52,686	222,123	202,989	54,254	257,243	138,360	168,406
1975.....	181,846	49,610	231,456	170,325	46,639	216,964	146,517	176,599
1976.....	209,762	63,441	273,203	180,765	55,484	236,249	168,282	204,286
1977.....	200,201	45,523	245,724	206,217	45,572	251,789	158,216	185,599
1978.....	178,678	48,989	227,667	198,777	47,756	246,533	135,239	164,702
1979.....	151,717	45,332	197,049	178,604	47,885	226,489	103,414	128,601
1980.....	125,013	33,588	158,601	140,996	35,172	176,168	84,195	105,780
1981.....	142,441	35,532	177,973	137,955	37,041	174,996	85,515	102,829
1982.....	104,792	21,068	125,860	112,251	21,691	133,942	74,685	89,055
1983.....	134,207	28,438	162,645	135,848	27,160	163,008	70,118	84,930
1984.....	110,874	24,026	134,900	127,303	25,709	153,012	50,995	63,899
1985.....	139,408	26,418	165,826	117,750	21,356	139,106	71,667	86,366
1986.....	170,863	28,922	199,785	156,072	28,533	184,605	86,400	101,440
1987.....	215,814	30,172	245,986	189,300	28,676	217,976	112,925	127,747

⁽¹⁾ At end of period.

⁽²⁾ Data for years after 1967 based on areas of 10,000 population and over.

Note: Data for 1962 to 1965 are based on 1961 Census area definitions, for 1966 to 1971 on 1966 Census area definitions, for 1972 to 1976 on 1971 Census area definitions, and for 1977 to 1981 on 1976 Census area definitions. Subsequent data are based on 1981 Census area definitions.

Source: Canada Mortgage and Housing Corporation, *Canadian Housing Statistics*.

Reference Table 24
Dwelling Starts and Completions, by Type
 1955 – 1987
 (number of units)

Year	Starts					Completions				
	Single detached	Semi-detached and duplex	Row	Apartments	Total	Single detached	Semi-detached and duplex	Row	Apartments	Total
1955.....	99,003	10,606	1,909	26,758	138,276	90,553	8,278	1,547	27,551	127,929
1956.....	90,620	9,441	2,263	24,987	127,311	95,656	11,872	2,137	26,035	135,700
1957.....	82,955	9,272	2,214	27,899	122,340	81,096	8,464	2,350	25,373	117,283
1958.....	104,508	10,713	2,457	46,954	164,632	96,830	10,004	2,226	37,626	146,686
1959.....	92,178	10,468	1,908	36,791	141,345	95,455	10,923	2,308	36,985	145,671
1960.....	67,171	9,699	2,301	29,687	108,858	78,113	9,911	1,616	34,117	123,757
1961.....	76,430	11,650	1,864	35,633	125,577	76,171	10,593	2,019	26,825	115,608
1962.....	74,443	10,975	3,742	40,935	130,095	75,593	11,922	2,451	36,716	126,682
1963.....	77,158	7,891	3,895	59,680	148,624	71,585	7,150	3,487	45,969	128,191
1964.....	77,079	8,706	4,755	75,118	165,658	76,225	8,091	3,861	62,786	150,963
1965.....	75,441	7,924	5,306	77,894	166,565	75,104	8,730	4,097	65,106	153,037
1966.....	70,642	7,281	5,000	51,551	134,474	73,858	7,707	6,412	74,215	162,192
1967.....	72,534	9,939	7,392	74,258	164,123	73,631	9,089	5,431	61,091	149,242
1968.....	75,339	10,114	8,042	103,383	196,878	74,640	10,098	7,896	78,359	170,993
1969.....	78,404	10,373	10,721	110,917	210,415	78,584	10,483	7,827	98,932	195,826
1970.....	70,749	10,826	17,055	91,898	190,528	66,615	9,066	11,473	88,673	175,827
1971.....	98,056	13,751	15,659	106,187	233,653	82,978	12,518	16,795	88,941	201,232
1972.....	115,570	13,649	16,980	103,715	249,914	106,508	13,184	14,416	98,119	232,227
1973.....	131,552	13,235	17,291	106,451	268,529	122,696	13,479	14,832	95,574	246,581
1974.....	122,143	11,023	14,932	74,025	222,123	129,704	12,509	19,225	95,805	257,243
1975.....	123,929	15,403	21,763	70,361	231,456	113,409	12,303	16,095	75,157	216,964
1976.....	134,313	15,890	33,676	89,324	273,203	128,623	15,160	21,172	71,294	236,249
1977.....	108,403	18,373	26,621	92,327	245,724	117,792	17,281	31,561	85,155	251,789
1978.....	110,029	19,932	20,379	77,327	227,667	106,195	19,155	26,644	94,539	246,533
1979.....	109,117	16,296	13,249	58,387	197,049	112,105	18,071	18,860	77,453	226,489
1980.....	87,721	11,149	11,402	48,329	158,601	90,720	13,675	13,398	58,375	176,168
1981.....	89,071	11,768	15,525	61,609	177,973	98,412	12,831	13,252	50,501	174,996
1982.....	54,457	6,254	11,987	53,162	125,860	54,720	8,480	16,082	54,660	133,942
1983.....	102,385	6,615	9,521	44,124	162,645	95,320	7,129	9,747	50,812	163,008
1984.....	83,651	5,592	8,315	37,342	134,900	88,875	5,962	9,997	48,178	153,012
1985.....	98,624	6,338	9,288	51,576	165,826	84,894	6,082	7,672	40,458	139,106
1986.....	120,008	8,272	10,485	61,020	199,785	110,902	7,746	8,966	56,991	184,605
1987.....	140,139	8,460	17,017	80,370	245,986	133,247	7,864	13,951	62,914	217,976

Source: Canada Mortgage and Housing Corporation, *Canadian Housing Statistics*.

Reference Table 25

Main Components of the Labour Market

1966 – 1987

(thousands of persons, rates in per cent)

Year	Population 15 years and over	Partici- pation rate	Labour force	Employment			Employment to population ratio	Unem- ployment	Unem- ployment rate
				Total	Full-time	Part-time			
1966.....	—	57.3	7,493	7,242	—	—	—	251	3.4
1967.....	—	57.6	7,747	7,451	—	—	—	296	3.8
1968.....	—	57.6	7,951	7,593	—	—	—	358	4.5
1969.....	—	57.9	8,194	7,832	—	—	—	362	4.4
1970.....	14,528	57.8	8,395	7,919	—	—	54.5	476	5.7
1971.....	14,872	58.1	8,639	8,104	—	—	54.5	535	6.2
1972.....	15,186	58.6	8,897	8,344	—	—	54.9	553	6.2
1973.....	15,526	59.7	9,276	8,761	—	—	56.4	515	5.5
1974.....	15,924	60.5	9,639	9,125	—	—	57.3	514	5.3
1975.....	16,323	61.1	9,974	9,284	8,296	988	56.9	690	6.9
1976.....	16,701	61.1	10,203	9,477	8,431	1,047	56.7	726	7.1
1977.....	17,051	61.6	10,500	9,651	8,524	1,128	56.6	849	8.1
1978.....	17,377	62.7	10,895	9,987	8,780	1,206	57.5	908	8.3
1979.....	17,702	63.4	11,231	10,395	9,094	1,301	58.7	836	7.4
1980.....	18,053	64.1	11,573	10,708	9,316	1,392	59.3	865	7.5
1981.....	18,375	64.8	11,904	11,006	9,519	1,487	59.9	898	7.5
1982.....	18,664	64.1	11,958	10,644	9,110	1,534	57.0	1,314	11.0
1983.....	18,917	64.4	12,183	10,734	9,083	1,651	56.7	1,448	11.9
1984.....	19,148	64.8	12,399	11,000	9,311	1,689	57.4	1,399	11.3
1985.....	19,372	65.2	12,639	11,311	9,555	1,757	58.4	1,328	10.5
1986.....	19,594	65.7	12,870	11,634	9,824	1,810	59.4	1,236	9.6
1987.....	19,825	66.2	13,121	11,955	10,133	1,822	60.3	1,167	8.9

Note: Small differences in total may arise due to rounding.

Labour Force Survey data were first collected under the revised Labour Force Survey in January, 1975. In January, 1976, the Revised Survey replaced the former Survey. Revised data have been estimated back to 1966.

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Table 25.1
Change in Main Components of the Labour Market
1967 – 1987

Year	Population 15 years and over	Labour force	Employment			Unem- ployment	Partici- pation rate	Employment to population ratio	Unem- ployment rate
			Total	Full-time	Part-time				
			(per cent change)				(percentage point difference)		
1967.....	—	3.4	2.9	—	—	17.9	0.3	—	0.4
1968.....	—	2.6	1.9	—	—	20.9	0.0	—	0.7
1969.....	—	3.1	3.1	—	—	1.1	0.3	—	-0.1
1970.....	—	2.5	1.1	—	—	31.5	-0.1	—	1.3
1971.....	2.4	2.9	2.3	—	—	12.4	0.3	-0.0	0.5
1972.....	2.1	3.0	3.0	—	—	3.4	0.5	0.5	0.0
1973.....	2.2	4.3	5.0	—	—	-6.9	1.1	1.5	-0.7
1974.....	2.6	3.9	4.2	—	—	-0.2	0.8	0.9	-0.2
1975.....	2.5	3.5	1.7	—	—	34.2	0.6	-0.4	1.6
1976.....	2.3	2.3	2.1	1.6	5.9	5.2	0.0	-0.1	0.2
1977.....	2.1	2.9	1.8	1.1	7.7	16.9	0.5	-0.1	1.0
1978.....	1.9	3.8	3.5	3.0	7.0	6.9	1.1	0.9	0.2
1979.....	1.9	3.1	4.1	3.6	7.8	-7.9	0.7	1.2	-0.9
1980.....	2.0	3.0	3.0	2.4	7.0	3.5	0.7	0.6	0.1
1981.....	1.8	2.9	2.8	2.2	6.8	3.8	0.7	0.6	0.0
1982.....	1.6	0.5	-3.3	-4.3	3.1	46.3	-0.7	-2.9	3.5
1983.....	1.4	1.9	0.8	-0.3	7.7	10.2	0.3	-0.3	0.9
1984.....	1.2	1.8	2.5	2.5	2.3	-3.4	0.4	0.7	-0.6
1985.....	1.2	1.9	2.8	2.6	4.0	-5.1	0.4	0.9	-0.8
1986.....	1.1	1.8	2.9	2.8	3.0	-6.9	0.5	1.0	-0.9
1987.....	1.2	2.0	2.8	3.1	0.6	-5.6	0.5	0.9	-0.7

Reference Table 26

Labour Force and Employment by Sex and Age Groups1966 – 1987⁽¹⁾

(thousands)

Year	Male				Female				Total
	Total	15-24	25 +	25-54	Total	15-24	25 +	25-54	
Labour Force									
1966.....	5,147	1,025	4,122	3,320	2,346	785	1,561	1,291	7,493
1967.....	5,261	1,078	4,183	3,371	2,485	833	1,653	1,372	7,747
1968.....	5,354	1,114	4,240	3,413	2,597	879	1,718	1,421	7,951
1969.....	5,465	1,147	4,318	3,474	2,728	919	1,809	1,494	8,194
1970.....	5,571	1,190	4,381	3,525	2,824	940	1,883	1,564	8,395
1971.....	5,667	1,232	4,435	3,590	2,972	997	1,975	1,638	8,639
1972.....	5,797	1,290	4,507	3,666	3,101	1,032	2,068	1,739	8,897
1973.....	5,973	1,367	4,606	3,769	3,303	1,102	2,202	1,853	9,276
1974.....	6,163	1,450	4,713	3,876	3,477	1,168	2,308	1,967	9,639
1975.....	6,294	1,485	4,809	3,949	3,680	1,217	2,463	2,119	9,974
1976.....	6,368	1,496	4,872	4,036	3,836	1,243	2,592	2,233	10,203
1977.....	6,505	1,541	4,964	4,114	3,996	1,277	2,719	2,345	10,500
1978.....	6,657	1,577	5,080	4,213	4,239	1,324	2,914	2,522	10,895
1979.....	6,811	1,624	5,187	4,305	4,420	1,377	3,043	2,632	11,231
1980.....	6,935	1,643	5,292	4,398	4,638	1,418	3,221	2,802	11,573
1981.....	7,053	1,649	5,404	4,507	4,851	1,426	3,425	2,993	11,904
1982.....	7,031	1,566	5,466	4,565	4,926	1,387	3,539	3,098	11,958
1983.....	7,098	1,541	5,557	4,657	5,084	1,375	3,709	3,257	12,183
1984.....	7,169	1,529	5,639	4,738	5,231	1,362	3,868	3,411	12,399
1985.....	7,257	1,507	5,751	4,848	5,382	1,355	4,027	3,566	12,639
1986.....	7,347	1,507	5,840	4,950	5,523	1,344	4,179	3,727	12,870
1987.....	7,427	1,485	5,942	5,065	5,694	1,323	4,371	3,899	13,121
Employment									
1966.....	4,975	961	4,014	3,241	2,267	747	1,519	—	7,242
1967.....	5,058	1,001	4,058	3,276	2,393	787	1,606	—	7,451
1968.....	5,110	1,017	4,093	3,300	2,483	821	1,662	—	7,593
1969.....	5,230	1,052	4,178	3,368	2,601	860	1,742	—	7,832
1970.....	5,260	1,057	4,203	3,388	2,660	860	1,800	—	7,919
1971.....	5,329	1,083	4,245	3,441	2,775	899	1,876	—	8,104
1972.....	5,460	1,136	4,324	3,521	2,885	934	1,951	—	8,344
1973.....	5,678	1,230	4,448	3,644	3,083	1,000	2,083	—	8,761
1974.....	5,870	1,310	4,559	3,752	3,255	1,064	2,192	—	9,125
1975.....	5,903	1,299	4,605	3,781	3,381	1,077	2,304	1,976	9,284
1976.....	5,964	1,298	4,666	3,862	3,513	1,093	2,420	2,077	9,477
1977.....	6,032	1,312	4,720	3,909	3,619	1,101	2,519	2,163	9,651
1978.....	6,156	1,340	4,816	3,991	3,830	1,141	2,689	2,317	9,987
1979.....	6,362	1,410	4,952	4,106	4,033	1,202	2,831	2,438	10,395
1980.....	6,459	1,418	5,041	4,181	4,249	1,239	3,011	2,611	10,708
1981.....	6,559	1,416	5,142	4,281	4,447	1,251	3,196	2,781	11,006
1982.....	6,254	1,235	5,019	4,176	4,390	1,164	3,226	2,812	10,644
1983.....	6,240	1,196	5,044	4,210	4,495	1,141	3,354	2,933	10,734
1984.....	6,367	1,232	5,135	4,300	4,633	1,142	3,492	3,064	11,000
1985.....	6,508	1,232	5,276	4,441	4,804	1,157	3,647	3,218	11,311
1986.....	6,657	1,258	5,399	4,568	4,977	1,159	3,818	3,396	11,634
1987.....	6,793	1,265	5,528	4,705	5,161	1,158	4,003	3,565	11,955

⁽¹⁾ See note on reference table 25.Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Reference Table 27

Participation and Unemployment Rates by Sex and Age Groups1966 – 1987⁽¹⁾

(per cent)

Year	Male				Female				Total
	Total	15-24	25 +	25-54	Total	15-24	25 +	25-54	
Participation rates									
1966.....	79.8	64.1	84.9	96.5	35.4	48.4	31.2	—	57.3
1967.....	79.3	64.1	84.5	96.2	36.5	49.1	32.3	—	57.6
1968.....	78.6	63.3	84.0	95.7	37.1	49.8	32.8	—	57.6
1969.....	78.3	62.7	83.8	95.6	38.0	50.2	33.8	—	57.9
1970.....	77.8	62.5	83.3	95.3	38.3	49.5	34.5	—	57.8
1971.....	77.3	62.7	82.7	95.2	39.4	50.8	35.4	—	58.1
1972.....	77.5	64.4	82.3	95.0	40.2	51.8	36.2	—	58.6
1973.....	78.2	66.8	82.3	95.3	41.9	54.2	37.6	—	59.7
1974.....	78.7	68.9	82.2	95.4	43.0	56.0	38.5	—	60.5
1975.....	78.4	68.8	81.9	94.8	44.4	56.8	40.0	50.5	61.1
1976.....	77.6	67.9	81.1	94.8	45.2	56.8	41.1	52.1	61.1
1977.....	77.7	68.9	80.9	94.7	46.0	57.5	42.1	53.6	61.6
1978.....	78.1	69.7	81.1	95.0	47.9	59.0	44.1	56.6	62.7
1979.....	78.5	71.3	81.0	95.1	49.0	61.0	45.0	57.8	63.4
1980.....	78.4	71.8	80.7	94.8	50.4	62.6	46.4	60.1	64.1
1981.....	78.4	72.3	80.5	94.9	51.7	63.2	48.1	62.7	64.8
1982.....	77.0	69.3	79.5	93.9	51.7	62.3	48.5	63.3	64.1
1983.....	76.7	69.2	79.1	93.8	52.6	62.8	49.6	65.1	64.4
1984.....	76.6	69.9	78.6	93.5	53.5	63.6	50.6	66.7	64.8
1985.....	76.7	70.1	78.6	93.8	54.3	64.6	51.6	68.2	65.2
1986.....	76.7	71.5	78.2	93.9	55.1	65.6	52.4	69.8	65.7
1987.....	76.7	72.0	77.9	94.0	56.2	66.3	53.7	71.4	66.2
Unemployment rates									
1966.....	3.3	6.3	2.6	2.4	3.4	4.8	2.7	—	3.4
1967.....	3.9	7.2	3.0	2.8	3.7	5.5	2.8	—	3.8
1968.....	4.6	8.7	3.5	3.3	4.4	6.5	3.3	—	4.5
1969.....	4.3	8.3	3.2	3.0	4.7	6.5	3.7	—	4.4
1970.....	5.6	11.2	4.1	3.9	5.8	8.6	4.4	—	5.7
1971.....	6.0	12.0	4.3	4.2	6.6	9.8	5.0	—	6.2
1972.....	5.8	11.9	4.1	4.0	7.0	9.6	5.7	—	6.2
1973.....	4.9	10.0	3.4	3.3	6.7	9.2	5.4	—	5.5
1974.....	4.8	9.6	3.3	3.2	6.4	8.9	5.1	—	5.3
1975.....	6.2	12.5	4.3	4.3	8.1	11.4	6.5	6.8	6.9
1976.....	6.3	13.2	4.2	4.3	8.4	12.1	6.6	7.0	7.1
1977.....	7.3	14.9	4.9	5.0	9.4	13.8	7.4	7.8	8.1
1978.....	7.5	15.0	5.2	5.3	9.6	13.8	7.7	8.1	8.3
1979.....	6.6	13.2	4.5	4.6	8.8	12.7	7.0	7.4	7.4
1980.....	6.9	13.7	4.8	4.9	8.4	12.6	6.5	6.8	7.5
1981.....	7.0	14.1	4.8	5.0	8.3	12.3	6.7	7.1	7.5
1982.....	11.1	21.1	8.2	8.5	10.9	16.1	8.8	9.2	11.0
1983.....	12.1	22.4	9.2	9.6	11.6	17.0	9.6	9.9	11.9
1984.....	11.2	19.4	8.9	9.2	11.4	16.2	9.7	10.2	11.3
1985.....	10.3	18.2	8.3	8.4	10.7	14.6	9.4	9.8	10.5
1986.....	9.4	16.5	7.6	7.7	9.9	13.8	8.6	8.9	9.6
1987.....	8.5	14.8	7.0	7.1	9.4	12.5	8.4	8.6	8.9

⁽¹⁾ See note on reference table 25.Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Reference Table 28

Participation Rates, Canada and Regions1966 – 1987⁽¹⁾

(per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1966.....	44.8	54.3	52.5	51.3	50.4	56.0	59.8	57.4	54.0	61.7	58.3	56.7	57.3
1967.....	45.0	53.6	52.9	50.6	50.3	56.4	60.2	57.4	53.9	61.8	58.3	57.5	57.6
1968.....	44.3	52.5	52.7	50.6	50.0	55.6	60.3	59.0	55.0	62.7	59.5	57.6	57.6
1969.....	43.7	54.4	52.8	50.3	49.9	55.9	60.5	58.1	55.4	63.4	59.7	58.2	57.9
1970.....	43.4	51.5	52.3	49.9	49.4	55.4	60.5	58.7	55.3	63.6	60.0	58.7	57.8
1971.....	45.0	54.3	52.2	49.8	49.8	56.0	60.9	59.3	55.3	63.0	60.0	58.3	58.1
1972.....	46.2	54.1	52.1	51.2	50.4	55.9	61.7	59.6	56.5	63.8	60.7	58.8	58.6
1973.....	49.2	54.6	53.7	52.8	52.4	57.6	62.4	60.7	57.3	64.8	61.7	59.6	59.7
1974.....	49.2	55.4	55.8	53.3	53.4	58.0	63.4	61.5	57.9	65.6	62.5	60.3	60.5
1975.....	49.4	56.5	55.3	53.8	53.5	58.5	64.1	60.9	59.2	66.1	63.0	61.1	61.1
1976.....	49.4	56.7	55.1	53.6	53.3	58.3	63.8	61.2	60.5	67.0	63.8	61.3	61.1
1977.....	50.6	56.9	55.1	53.6	53.7	58.9	64.3	61.6	61.6	67.2	64.4	61.6	61.6
1978.....	51.5	57.7	56.2	54.8	54.7	59.9	65.4	63.0	62.1	68.4	65.5	63.0	62.7
1979.....	52.3	59.0	56.6	55.0	55.2	60.2	66.5	63.6	62.7	69.7	66.5	63.2	63.4
1980.....	52.7	59.2	57.4	55.6	55.8	61.2	66.7	64.5	63.0	70.9	67.5	64.1	64.1
1981.....	52.6	58.7	57.3	56.2	56.0	61.5	67.6	64.8	63.5	72.3	68.5	65.1	64.8
1982.....	52.1	57.8	57.0	55.0	55.2	60.0	67.3	64.9	63.9	71.4	68.2	64.3	64.1
1983.....	52.1	60.2	57.4	55.5	55.7	60.9	67.1	65.6	65.2	71.6	68.7	64.1	64.4
1984.....	52.9	60.2	59.3	55.1	56.4	61.5	67.4	65.7	65.1	72.1	69.0	64.0	64.8
1985.....	53.0	61.9	58.8	56.8	57.0	62.2	68.0	65.8	66.4	71.9	69.1	64.3	65.2
1986.....	53.0	62.3	59.3	57.5	57.4	62.4	68.5	66.4	66.9	72.1	69.5	65.1	65.7
1987.....	53.1	62.8	59.8	58.3	57.9	63.5	68.9	66.4	66.7	72.0	69.5	65.5	66.2

⁽¹⁾ See note on reference table 25.Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Reference Table 29
Labour Force, Canada and Regions
 1966 – 1987⁽¹⁾
 (thousands of persons)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1966.....	131	37	251	196	615	2,113	2,787	361	332	569	1,262	716	7,493
1967.....	134	37	257	197	625	2,184	2,891	365	335	586	1,286	759	7,747
1968.....	136	37	261	201	635	2,205	2,980	382	345	615	1,342	789	7,951
1969.....	137	39	267	204	647	2,264	3,077	383	350	643	1,376	830	8,194
1970.....	139	37	271	205	652	2,288	3,177	392	347	667	1,406	871	8,395
1971.....	147	40	276	210	673	2,347	3,290	402	346	682	1,430	899	8,639
1972.....	154	41	280	220	695	2,383	3,410	408	351	711	1,470	938	8,897
1973.....	168	42	295	232	737	2,499	3,532	421	355	746	1,522	987	9,276
1974.....	171	44	313	239	767	2,570	3,686	435	360	781	1,576	1,040	9,639
1975.....	176	46	317	248	787	2,647	3,818	437	376	822	1,635	1,087	9,974
1976.....	181	47	322	253	803	2,689	3,882	446	393	873	1,712	1,117	10,203
1977.....	188	48	327	258	821	2,760	3,986	455	408	922	1,785	1,148	10,500
1978.....	194	50	338	268	850	2,839	4,133	470	418	983	1,871	1,202	10,895
1979.....	200	52	346	273	871	2,897	4,271	476	428	1,048	1,952	1,239	11,231
1980.....	205	53	356	280	894	2,988	4,350	484	437	1,120	2,041	1,301	11,573
1981.....	208	53	359	286	906	3,040	4,464	490	446	1,198	2,134	1,361	11,904
1982.....	209	52	361	282	904	2,998	4,508	496	455	1,227	2,178	1,370	11,958
1983.....	214	55	369	290	928	3,069	4,570	508	470	1,249	2,227	1,389	12,183
1984.....	221	56	387	291	955	3,123	4,666	515	477	1,254	2,246	1,410	12,399
1985.....	224	59	391	304	978	3,181	4,787	523	491	1,249	2,263	1,431	12,639
1986.....	226	60	398	312	996	3,221	4,897	533	495	1,271	2,299	1,457	12,870
1987.....	228	61	405	319	1,013	3,306	5,013	537	495	1,274	2,306	1,484	13,121

(1) See note on reference table 25.

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Table 29.1
Change in Labour Force, Canada and Regions
 1967 – 1987
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1967	2.3	0.0	2.4	0.5	1.6	3.4	3.7	1.1	0.9	3.0	1.9	6.0	3.4
1968	1.5	0.0	1.6	2.0	1.6	1.0	3.1	4.7	3.0	4.9	4.4	4.0	2.6
1969	0.7	5.4	2.3	1.5	1.9	2.7	3.3	0.3	1.4	4.6	2.5	5.2	3.1
1970	1.5	-5.1	1.5	0.5	0.8	1.1	3.2	2.3	-0.9	3.7	2.2	4.9	2.5
1971	5.8	8.1	1.8	2.4	3.2	2.6	3.6	2.6	-0.3	2.2	1.7	3.2	2.9
1972	4.8	2.5	1.4	4.8	3.3	1.5	3.6	1.5	1.4	4.3	2.8	4.3	3.0
1973	9.1	2.4	5.4	5.5	6.0	4.9	3.6	3.2	1.1	4.9	3.5	5.2	4.3
1974	1.8	4.8	6.1	3.0	4.1	2.8	4.4	3.3	1.4	4.7	3.5	5.4	3.9
1975	2.9	4.5	1.3	3.8	2.6	3.0	3.6	0.5	4.4	5.2	3.7	4.5	3.5
1976	2.8	2.2	1.6	2.0	2.0	1.6	1.7	2.1	4.5	6.2	4.7	2.8	2.3
1977	3.9	2.1	1.6	2.0	2.2	2.6	2.7	2.0	3.8	5.6	4.3	2.8	2.9
1978	3.2	4.2	3.4	3.9	3.5	2.9	3.7	3.3	2.5	6.6	4.8	4.7	3.8
1979	3.1	4.0	2.4	1.9	2.5	2.0	3.3	1.3	2.4	6.6	4.3	3.1	3.1
1980	2.5	1.9	2.9	2.6	2.6	3.1	1.8	1.7	2.1	6.9	4.6	5.0	3.0
1981	1.5	0.0	0.8	2.1	1.3	1.7	2.6	1.2	2.1	7.0	4.6	4.6	2.9
1982	0.5	-1.9	0.6	-1.4	-0.2	-1.4	1.0	1.2	2.0	2.4	2.1	0.7	0.5
1983	2.4	5.8	2.2	2.8	2.7	2.4	1.4	2.4	3.3	1.8	2.2	1.4	1.9
1984	3.3	1.8	4.9	0.3	2.9	1.8	2.1	1.4	1.5	0.4	0.9	1.5	1.8
1985	1.4	5.4	1.0	4.5	2.4	1.9	2.6	1.6	2.9	-0.4	0.8	1.5	1.9
1986	0.9	1.7	1.8	2.6	1.8	1.3	2.3	1.9	0.8	1.8	1.6	1.8	1.8
1987	0.9	1.7	1.8	2.2	1.7	2.6	2.4	0.8	0.0	0.2	0.3	1.9	2.0

Reference Table 30
Employment, Canada and Regions
1966 – 1987⁽¹⁾
(thousands of persons)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1966	123	35	239	186	583	2,027	2,714	351	327	555	1,233	684	7,242
1967	126	35	245	187	593	2,085	2,799	354	329	571	1,254	720	7,451
1968	126	34	248	190	598	2,081	2,873	367	337	595	1,299	742	7,593
1969	127	36	254	190	607	2,126	2,979	371	339	621	1,331	788	7,832
1970	129	35	256	192	612	2,128	3,037	371	333	633	1,337	805	7,919
1971	135	37	256	197	625	2,175	3,113	379	334	643	1,356	834	8,104
1972	140	36	261	205	642	2,205	3,239	386	336	671	1,393	865	8,344
1973	151	39	275	214	679	2,330	3,380	402	343	706	1,451	920	8,761
1974	149	41	292	221	703	2,401	3,523	419	350	754	1,523	976	9,125
1975	152	42	292	224	710	2,434	3,576	417	365	788	1,570	995	9,284
1976	157	42	292	226	717	2,456	3,643	425	378	838	1,641	1,021	9,477
1977	159	43	292	224	718	2,476	3,708	428	390	880	1,698	1,050	9,651
1978	162	45	303	234	744	2,530	3,835	439	398	937	1,774	1,103	9,987
1979	170	46	311	243	770	2,619	3,993	450	411	1,007	1,868	1,144	10,395
1980	178	47	321	249	795	2,694	4,053	458	417	1,078	1,953	1,213	10,708
1981	179	47	322	253	801	2,726	4,171	461	425	1,152	2,038	1,270	11,006
1982	174	45	313	243	775	2,584	4,067	454	426	1,132	2,012	1,204	10,644
1983	174	48	320	247	789	2,642	4,096	460	436	1,115	2,011	1,197	10,734
1984	176	49	337	248	810	2,722	4,243	472	439	1,114	2,025	1,202	11,000
1985	176	51	337	258	822	2,804	4,402	480	452	1,123	2,055	1,228	11,311
1986	181	52	344	267	844	2,866	4,555	493	457	1,146	2,096	1,274	11,634
1987	186	53	354	277	870	2,966	4,706	497	458	1,151	2,106	1,306	11,955

⁽¹⁾ See note on reference table 25.

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Table 30.1
Change in Employment, Canada and Regions
 1967 – 1987
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1967	2.4	0.0	2.5	0.5	1.7	2.9	3.1	0.9	0.6	2.9	1.7	5.3	2.9
1968	0.0	-2.9	1.2	1.6	0.8	-0.2	2.6	3.7	2.4	4.2	3.6	3.1	1.9
1969	0.8	5.9	2.4	0.0	1.5	2.2	3.7	1.1	0.6	4.4	2.5	6.2	3.1
1970	1.6	-2.8	0.8	1.1	0.8	0.1	1.9	0.0	-1.8	1.9	0.5	2.2	1.1
1971	4.7	5.7	0.0	2.6	2.1	2.2	2.5	2.2	0.3	1.6	1.4	3.6	2.3
1972	3.7	-2.7	2.0	4.1	2.7	1.4	4.0	1.8	0.6	4.4	2.7	3.7	3.0
1973	7.9	8.3	5.4	4.4	5.8	5.7	4.4	4.1	2.1	5.2	4.2	6.4	5.0
1974	-1.3	5.1	6.2	3.3	3.5	3.0	4.2	4.2	2.0	6.8	5.0	6.1	4.2
1975	2.0	2.4	0.0	1.4	1.0	1.4	1.5	-0.5	4.3	4.5	3.1	1.9	1.7
1976	3.3	0.0	0.0	0.9	1.0	0.9	1.9	1.9	3.6	6.3	4.5	2.6	2.1
1977	1.3	2.4	0.0	-0.9	0.1	0.8	1.8	0.7	3.2	5.0	3.5	2.8	1.8
1978	1.9	4.7	3.8	4.5	3.6	2.2	3.4	2.6	2.1	6.5	4.5	5.0	3.5
1979	4.9	2.2	2.6	3.8	3.5	3.5	4.1	2.5	3.3	7.5	5.3	3.7	4.1
1980	4.7	2.2	3.2	2.5	3.2	2.9	1.5	1.8	1.5	7.1	4.6	6.0	3.0
1981	0.6	0.0	0.3	1.6	0.8	1.2	2.9	0.7	1.9	6.9	4.4	4.7	2.8
1982	-2.8	-4.3	-2.8	-4.0	-3.2	-5.2	-2.5	-1.5	0.2	-1.7	-1.3	-5.2	-3.3
1983	0.0	6.7	2.2	1.6	1.8	2.2	0.7	1.3	2.3	-1.5	-0.0	-0.6	0.8
1984	1.1	2.1	5.3	0.4	2.7	3.0	3.6	2.6	0.7	-0.1	0.7	0.4	2.5
1985	0.0	4.1	0.0	4.0	1.5	3.0	3.7	1.7	3.0	0.8	1.5	2.2	2.8
1986	2.8	2.0	2.1	3.5	2.7	2.2	3.5	2.7	1.1	2.0	2.0	3.7	2.9
1987	2.8	1.9	2.9	3.7	3.1	3.5	3.3	0.8	0.2	0.4	0.5	2.5	2.8

Reference Table 31
Unemployment, Canada and Regions
1966 – 1987⁽¹⁾
(thousands of persons)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1966	8	—	12	10	30	86	72	10	5	14	29	33	251
1967	8	—	13	10	31	100	92	11	6	16	33	39	296
1968	10	—	13	11	34	124	107	15	8	20	43	47	358
1969	10	—	13	14	37	137	99	12	11	22	45	42	362
1970	10	—	14	13	37	160	139	21	15	34	70	67	476
1971	12	—	19	13	44	171	178	23	12	39	74	65	535
1972	14	4	20	15	53	178	171	22	16	40	78	73	553
1973	17	—	19	18	54	169	152	19	12	39	70	66	515
1974	22	—	21	18	61	169	164	16	10	27	53	64	514
1975	25	4	24	24	77	214	242	20	11	34	65	92	690
1976	24	4	31	28	87	233	239	21	15	35	71	96	726
1977	29	5	35	34	103	284	278	27	18	41	86	98	849
1978	31	5	36	34	106	308	298	31	20	46	97	99	908
1979	30	6	35	30	101	278	278	25	18	41	84	95	836
1980	27	6	35	31	99	294	297	27	19	42	88	88	865
1981	29	6	36	33	104	314	293	29	21	46	96	91	898
1982	35	7	47	40	129	413	440	42	28	95	165	166	1,314
1983	40	7	49	43	139	427	474	48	35	134	217	192	1,448
1984	45	7	51	44	147	400	423	43	38	140	221	208	1,399
1985	48	8	54	46	156	376	385	43	40	126	209	203	1,328
1986	45	8	53	45	151	356	342	41	38	125	204	183	1,236
1987	42	8	51	42	143	341	307	40	36	123	199	178	1,167

⁽¹⁾ See note on reference table 25.

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Reference Table 32
Unemployment Rates, Canada and Regions
1966 – 1987
(per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairie region	B.C.	Canada
1966	5.8	—	4.7	5.3	4.9	4.1	2.6	2.8	1.5	2.5	2.3	4.6	3.4
1967	5.9	—	4.9	5.2	5.0	4.6	3.2	3.0	1.7	2.7	2.6	5.1	3.8
1968	7.1	—	5.1	5.7	5.4	5.6	3.6	3.9	2.4	3.3	3.2	5.9	4.5
1969	7.4	—	4.9	6.7	5.7	6.1	3.2	3.2	3.2	3.4	3.3	5.0	4.4
1970	7.3	—	5.3	6.3	5.7	7.0	4.4	5.3	4.2	5.1	5.0	7.7	5.7
1971	8.4	—	7.0	6.1	6.5	7.3	5.4	5.7	3.5	5.7	5.2	7.2	6.2
1972	9.2	10.8	7.0	7.0	7.6	7.5	5.0	5.4	4.4	5.6	5.3	7.8	6.2
1973	10.0	—	6.6	7.7	7.3	6.8	4.3	4.6	3.5	5.3	4.6	6.7	5.5
1974	13.0	—	6.8	7.5	8.0	6.6	4.4	3.6	2.8	3.5	3.4	6.2	5.3
1975	14.0	8.0	7.7	9.8	9.8	8.1	6.3	4.5	2.9	4.1	4.0	8.5	6.9
1976	13.3	9.6	9.5	11.0	10.8	8.7	6.2	4.7	3.9	4.0	4.1	8.6	7.1
1977	15.5	9.8	10.6	13.2	12.5	10.3	7.0	5.9	4.5	4.5	4.8	8.5	8.1
1978	16.2	9.8	10.5	12.5	12.5	10.9	7.2	6.5	4.9	4.7	5.2	8.3	8.3
1979	15.1	11.2	10.1	11.1	11.6	9.6	6.5	5.3	4.2	3.9	4.3	7.6	7.4
1980	13.3	10.6	9.7	11.0	11.1	9.8	6.8	5.5	4.4	3.7	4.3	6.8	7.5
1981	13.9	11.2	10.2	11.5	11.5	10.3	6.6	5.9	4.7	3.8	4.5	6.7	7.5
1982	16.8	12.9	13.2	14.0	14.3	13.8	9.8	8.5	6.2	7.7	7.6	12.1	11.0
1983	18.8	12.2	13.2	14.8	15.0	13.9	10.4	9.4	7.4	10.8	9.7	13.8	11.9
1984	20.5	12.8	13.1	14.9	15.4	12.8	9.1	8.3	8.0	11.2	9.8	14.7	11.3
1985	21.3	13.2	13.8	15.2	16.0	11.8	8.0	8.1	8.1	10.1	9.2	14.2	10.5
1986	20.0	13.4	13.4	14.4	15.2	11.0	7.0	7.7	7.7	9.8	8.9	12.6	9.6
1987	18.6	13.3	12.5	13.2	14.1	10.3	6.1	7.4	7.3	9.6	8.6	12.0	8.9

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Reference Table 33
Employment by Industry
1970 – 1987
(thousands of persons)

Year	Goods producing						Services producing					
	Total employment	Total	Agriculture	Other primary	Manufacturing	Construction	Total	Transportation communication and utilities	Trade	Finance insurance and real estate	Community business and personal services	Public administration and defence
1970.....	7,919	2,964	513	216	1,768	467	4,955	698	1,328	379	2,040	510
1971.....	8,104	2,990	514	221	1,766	489	5,114	707	1,335	399	2,128	545
1972.....	8,344	3,014	483	214	1,823	494	5,330	734	1,417	398	2,202	579
1973.....	8,761	3,159	469	224	1,927	539	5,602	775	1,503	424	2,290	610
1974.....	9,125	3,267	474	229	1,978	586	5,858	791	1,578	460	2,389	640
1975.....	9,284	3,177	483	220	1,871	603	6,108	812	1,637	474	2,520	665
1976.....	9,477	3,263	472	235	1,921	635	6,215	824	1,644	496	2,573	678
1977.....	9,651	3,228	464	242	1,888	634	6,423	819	1,679	531	2,695	699
1978.....	9,987	3,324	474	260	1,956	634	6,661	859	1,739	546	2,812	705
1979.....	10,395	3,474	484	275	2,071	644	6,920	903	1,808	554	2,954	701
1980.....	10,708	3,514	479	300	2,111	624	7,194	906	1,837	611	3,096	744
1981.....	11,006	3,581	485	323	2,122	651	7,425	912	1,884	594	3,267	768
1982.....	10,644	3,260	462	271	1,930	597	7,385	885	1,848	601	3,284	767
1983.....	10,734	3,209	476	281	1,886	566	7,525	870	1,850	602	3,421	782
1984.....	11,000	3,308	476	292	1,968	572	7,692	858	1,929	631	3,483	791
1985.....	11,311	3,349	488	293	1,981	587	7,964	884	2,001	629	3,648	802
1986.....	11,634	3,417	484	291	2,015	627	8,217	898	2,082	654	3,783	800
1987.....	11,955	3,490	475	291	2,044	680	8,465	906	2,116	695	3,934	814

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Table 33.1
Change in Employment by Industry
 1971 – 1987
 (per cent)

Year	Total employment	Goods producing					Services producing					
		Total	Agriculture	Other primary	Manufacturing	Construction	Total	Transportation communication and utilities	Trade	Finance insurance and real estate	Community business and personal services	Public administration and defence
1971.....	2.3	0.9	0.2	2.3	-0.1	4.7	3.2	1.3	0.5	5.3	4.3	6.9
1972.....	3.0	0.8	-6.0	-3.2	3.2	1.0	4.2	3.8	6.1	-0.3	3.5	6.2
1973.....	5.0	4.8	-2.9	4.7	5.7	9.1	5.1	5.6	6.1	6.5	4.0	5.4
1974.....	4.2	3.4	1.1	2.2	2.6	8.7	4.6	2.1	5.0	8.5	4.3	4.9
1975.....	1.7	-2.8	1.9	-3.9	-5.4	2.9	4.3	2.7	3.7	3.0	5.5	3.9
1976.....	2.1	2.7	-2.3	6.8	2.7	5.3	1.8	1.5	0.4	4.6	2.1	2.0
1977.....	1.8	-1.1	-1.7	3.0	-1.7	-0.2	3.3	-0.6	2.1	7.1	4.7	3.1
1978.....	3.5	3.0	2.2	7.4	3.6	0.0	3.7	4.9	3.6	2.8	4.3	0.9
1979.....	4.1	4.5	2.1	5.8	5.9	1.6	3.9	5.1	4.0	1.5	5.0	-0.6
1980.....	3.0	1.2	-1.0	9.1	1.9	-3.1	4.0	0.3	1.6	10.3	4.8	6.1
1981.....	2.8	1.9	1.3	7.7	0.5	4.3	3.2	0.7	2.6	-2.8	5.5	3.2
1982.....	-3.3	-9.0	-4.7	-16.1	-9.0	-8.3	-0.5	-3.0	-1.9	1.2	0.5	-0.1
1983.....	0.8	-1.6	3.0	3.7	-2.3	-5.2	1.9	-1.7	0.1	0.2	4.2	2.0
1984.....	2.5	3.1	0.0	3.9	4.3	1.1	2.2	-1.4	4.3	4.8	1.8	1.2
1985.....	2.8	1.2	2.5	0.3	0.7	2.6	3.5	3.0	3.7	-0.3	4.7	1.4
1986.....	2.9	2.0	-0.8	-0.7	1.7	6.8	3.2	1.6	4.0	4.0	3.7	-0.2
1987.....	2.8	2.1	-1.9	0.0	1.4	8.5	3.0	0.9	1.6	6.3	4.0	1.8

Reference Table 34
Unemployed Persons by Family Status, Canada
1966 – 1987⁽¹⁾

Year	Total unemployed	Members of family units					Non-members of family units	Total unemployed	Members of family units					Non-members of family units
		Total	Heads of units	Single child	Other relatives	Spouses			Total	Heads of units	Single child	Other relatives	Spouses	
(thousands)														
1966.....	251	—	—	—	—	—	—	—	—	—	—	—	—	—
1967.....	296	—	—	—	—	—	—	45	—	—	—	—	—	—
1968.....	358	—	—	—	—	—	—	62	—	—	—	—	—	—
1969.....	362	—	—	—	—	—	—	4	—	—	—	—	—	—
1970.....	476	—	—	—	—	—	—	114	—	—	—	—	—	—
1971.....	535	—	—	—	—	—	—	59	—	—	—	—	—	—
1972.....	553	—	—	—	—	—	—	18	—	—	—	—	—	—
1973.....	515	—	—	—	—	—	—	-38	—	—	—	—	—	—
1974.....	514	—	—	—	—	—	—	—	—	—	—	—	—	—
1975.....	690	610	194	221	28	167	80	175	—	—	—	—	—	—
1976.....	726	640	191	239	33	176	86	36	31	-2	19	5	9	6
1977.....	849	751	224	279	40	208	98	123	111	33	39	7	31	12
1978.....	909	798	247	286	41	224	111	59	47	23	7	16	12	—
1979.....	836	740	224	274	38	205	96	-73	-58	-24	-12	-3	-19	-15
1980.....	865	762	238	284	39	201	103	29	22	15	10	2	-4	8
1981.....	898	788	242	291	40	215	110	33	26	4	7	1	14	7
1982.....	1,314	1,154	409	397	61	286	160	416	366	167	107	21	71	50
1983.....	1,448	1,259	453	420	72	315	189	134	106	44	23	11	29	29
1984.....	1,399	1,216	435	389	63	329	183	-49	-44	-18	-31	-9	14	-6
1985.....	1,328	1,145	407	363	56	320	183	-71	-71	-28	-26	-7	-10	—
1986.....	1,236	1,056	377	320	56	303	180	-92	-89	-30	-43	—	-17	-3
1987.....	1,167	998	358	291	51	298	169	-69	-58	-19	-29	-5	-5	-11

⁽¹⁾ Data are not linked to data prior to 1975 when the revised Labour Force Survey started.

Source: Statistics Canada, *Historical Labour Force Statistics* (71-201).

Reference Table 35

Help-Wanted Index, Canada and Regions

1962 - 1987

Year	Canada	Atlantic region	Quebec	Ontario	Prairie region	British Columbia	Canada	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
	(1981 = 100)						(per cent change)					
1962.....	39	90	68	26	21	12	—	—	—	—	—	—
1963.....	39	85	64	29	24	12	0.0	-5.6	-5.9	11.5	14.3	0.0
1964.....	47	90	74	37	29	16	20.5	5.9	15.6	27.6	20.8	33.3
1965.....	57	131	83	49	35	20	21.3	45.6	12.2	32.4	20.7	25.0
1966.....	61	138	84	55	40	22	7.0	5.3	1.2	12.2	14.3	10.0
1967.....	53	123	70	47	41	19	-13.1	-10.9	-16.7	-14.5	2.5	-13.6
1968.....	47	98	59	45	33	20	-11.3	-20.3	-15.7	-4.3	-19.5	5.3
1969.....	56	96	70	57	37	28	19.1	-2.0	18.6	26.7	12.1	40.0
1970.....	47	75	61	47	31	21	-16.1	-21.9	-12.9	-17.5	-16.2	-25.0
1971.....	48	81	64	46	32	23	2.1	8.0	4.9	-2.1	3.2	9.5
1972.....	61	65	76	67	42	32	27.1	-19.8	18.8	45.7	31.3	39.1
1973.....	77	86	93	84	53	46	26.2	32.3	22.4	25.4	26.2	43.8
1974.....	101	125	131	97	78	64	31.2	45.3	40.9	15.5	47.2	39.1
1975.....	84	109	126	68	65	43	-16.8	-12.8	-3.8	-29.9	-16.7	-32.8
1976.....	81	79	127	63	68	43	-3.6	-27.5	0.8	-7.4	4.6	0.0
1977.....	76	87	118	59	60	42	-6.2	10.1	-7.1	-6.3	-11.8	-2.3
1978.....	82	95	127	64	64	42	7.9	9.2	7.6	8.5	6.7	0.0
1979.....	90	95	110	87	86	55	9.8	0.0	-13.4	35.9	34.4	31.0
1980.....	94	105	110	88	90	70	4.4	10.5	0.0	1.1	4.7	27.3
1981.....	100	100	100	100	100	100	6.4	-4.8	-9.1	13.6	11.1	42.9
1982.....	48	65	49	52	42	34	-52.0	-35.0	-51.0	-48.0	-58.0	-66.0
1983.....	43	63	51	45	29	26	-10.4	-3.1	4.1	-13.5	-31.0	-23.5
1984.....	55	84	64	63	34	30	27.9	33.3	25.5	40.0	17.2	15.4
1985.....	70	98	76	86	41	31	27.3	16.7	18.8	36.5	20.6	3.3
1986.....	88	112	96	115	44	40	25.7	14.3	26.3	33.7	7.3	29.0
1987.....	120	151	132	162	53	48	36.4	34.8	37.5	40.9	20.5	20.0

Source: Statistics Canada, *Help-Wanted Index* (71-204)

Reference Table 36

Time Lost in Work Stoppages by Industry

1976 – 1987

(thousands of person-days)

Year	Total	Forestry	Mines, quarries and oil wells	Manufact- uring	Paper and allied industries	Trans- porta- tion equipment	Constru- tion	Trans- porta- tion	Trade	Community, business and personal service industries
1976.....	967.5	3.0	48.3	374.4	97.6	32.7	238.0	51.9	17.4	235.2
1977.....	275.7	1.8	7.6	141.1	17.6	24.2	33.8	43.9	10.7	36.3
1978.....	616.1	5.7	141.6	210.7	6.6	45.5	102.7	78.8	20.5	56.0
1979.....	652.8	9.2	132.2	260.8	36.5	29.4	7.3	98.5	20.6	124.2
1980.....	748.0	28.1	34.9	261.4	48.4	57.1	92.2	60.7	18.2	219.3
1981.....	739.9	29.1	48.4	386.5	54.6	16.9	3.6	126.2	12.4	133.6
1982.....	482.9	.6	21.4	140.9	26.0	29.8	183.3	47.1	14.3	75.3
1983.....	370.3	1.1	14.9	115.4	10.1	19.3	20.3	22.9	21.0	174.4
1984.....	322.6	.8	3.1	196.3	45.9	44.8	17.7	45.8	15.7	43.2
1985.....	265.1	.7	7.5	131.5	7.9	31.1	.9	39.9	39.0	45.5
1986.....	594.5	168.7	29.3	115.6	1.8	11.4	163.6	25.4	19.9	71.9
1987.....	332.0	.2	19.1	146.5	6.4	26.7	4.5	58.2	27.2	76.4

Note: Statistics on work stoppages include all strikes and lockouts, whether legal or illegal, which lasts for one-half day or more and amount to 10 or more person-days of time lost. Time lost by workers indirectly affected, such as those laid off because of a work stoppage by other employees, is not included.

Source: *Research Bulletin*, Labour Canada.

Reference Table 37
Productivity and Costs,
Business Sector Non-Agricultural Industries
1946 – 1987
(1981 = 100)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1946.....	17.9	38.3	46.8	3.4	46.7	38.1	8.9	7.3	19.2
1947.....	19.5	41.6	50.5	4.2	46.8	38.5	10.1	8.3	21.6
1948.....	20.1	42.9	52.0	4.8	46.9	38.6	11.2	9.3	24.0
1949.....	20.9	43.8	52.5	5.2	47.7	39.7	11.8	9.8	24.6
1950.....	22.4	44.6	52.7	5.5	50.2	42.4	12.3	10.4	24.6
1951.....	23.9	47.1	55.3	6.4	50.7	43.1	13.6	11.6	26.9
1952.....	25.1	48.2	56.3	7.1	52.1	44.6	14.7	12.6	28.3
1953.....	26.6	49.0	56.8	7.7	54.4	46.8	15.7	13.5	28.9
1954.....	26.9	48.3	55.5	7.8	55.7	48.5	16.1	14.0	28.9
1955.....	29.5	49.8	56.9	8.3	59.3	51.9	16.6	14.5	27.9
1956.....	32.4	52.7	60.4	9.3	61.4	53.6	17.7	15.4	28.8
1957.....	33.0	54.1	61.6	10.0	61.0	53.6	18.5	16.3	30.4
1958.....	33.2	52.7	59.6	10.1	63.1	55.7	19.2	17.0	30.5
1959.....	35.3	53.9	61.2	10.8	65.4	57.7	20.0	17.6	30.6
1960.....	36.0	54.0	60.8	11.2	66.7	59.2	20.9	18.5	31.3
1961.....	37.2	54.2	60.4	11.6	68.7	61.7	21.5	19.3	31.2
1962.....	39.7	55.9	62.5	12.4	71.1	63.5	22.2	19.8	31.2
1963.....	41.9	57.5	64.1	13.2	72.8	65.4	22.9	20.6	31.5
1964.....	45.4	60.0	66.8	14.4	75.6	67.9	24.0	21.5	31.7
1965.....	48.9	63.6	70.6	16.1	76.9	69.3	25.4	22.9	33.0
1966.....	52.2	66.6	73.2	18.2	78.3	71.3	27.3	24.9	34.9
1967.....	54.0	67.7	74.0	19.9	79.7	72.9	29.4	26.9	36.8
1968.....	56.9	67.9	73.5	21.2	83.8	77.4	31.3	28.9	37.3
1969.....	59.9	70.2	75.2	23.5	85.4	79.7	33.5	31.3	39.2
1970.....	61.0	70.3	74.6	25.2	86.7	81.7	35.8	33.8	41.3
1971.....	64.4	71.8	75.7	27.6	89.7	85.1	38.4	36.5	42.9
1972.....	69.0	74.8	78.5	30.9	92.2	87.9	41.3	39.3	44.7
1973.....	75.0	79.2	83.0	35.8	94.8	90.4	45.2	43.1	47.6
1974.....	78.1	83.3	86.7	42.6	93.8	90.0	51.2	49.1	54.6
1975.....	78.4	84.2	86.9	48.8	93.1	90.1	57.9	56.1	62.2
1976.....	83.6	85.8	88.1	56.2	97.5	94.9	65.6	63.8	67.3
1977.....	86.6	88.0	89.3	62.4	98.5	97.1	71.0	70.0	72.1
1978.....	89.8	90.7	92.5	68.0	99.0	97.1	74.9	73.5	75.7
1979.....	94.2	94.6	95.9	76.8	99.5	98.2	81.2	80.1	81.5
1980.....	96.0	96.9	97.8	87.0	99.1	98.1	89.8	88.9	90.6
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	94.7	96.8	95.0	104.8	97.8	99.7	108.2	110.3	110.7
1983.....	98.4	96.7	94.7	109.2	101.8	104.0	112.9	115.3	110.9
1984.....	105.8	99.6	98.3	118.3	106.2	107.6	118.8	120.4	111.8
1985.....	111.8	103.5	102.5	128.8	108.0	109.0	124.5	125.6	115.2
1986.....	115.5	105.4	104.7	136.6	109.5	110.3	129.5	130.4	118.2
1987.....	121.1	108.2	108.4	146.7	111.9	111.7	135.5	135.3	121.1

Source: Statistics Canada, *Aggregate Productivity Measures* (15-204).

Table 37.1
Change in Productivity and Costs,
Business Sector Non-Agricultural Industries
1947 – 1987
(per cent)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1947.....	8.9	8.6	7.9	23.5	0.2	1.0	13.5	13.7	12.5
1948.....	3.1	3.1	3.0	14.3	0.2	0.3	10.9	12.0	11.1
1949.....	4.0	2.1	1.0	8.3	1.7	2.8	5.4	5.4	2.5
1950.....	7.2	1.8	0.4	5.8	5.2	6.8	4.2	6.1	0.0
1951.....	6.7	5.6	4.9	16.4	1.0	1.7	10.6	11.5	9.3
1952.....	5.0	2.3	1.8	10.9	2.8	3.5	8.1	8.6	5.2
1953.....	6.0	1.7	0.9	8.5	4.4	4.9	6.8	7.1	2.1
1954.....	1.1	-1.4	-2.3	1.3	2.4	3.6	2.5	3.7	0.0
1955.....	9.7	3.1	2.5	6.4	6.5	7.0	3.1	3.6	-3.5
1956.....	9.8	5.8	6.2	12.0	3.5	3.3	6.6	6.2	3.2
1957.....	1.9	2.7	2.0	7.5	-0.7	0.0	4.5	5.8	5.6
1958.....	0.6	-2.6	-3.2	1.0	3.4	3.9	3.8	4.3	0.3
1959.....	6.3	2.3	2.7	6.9	3.6	3.6	4.2	3.5	0.3
1960.....	2.0	0.2	-0.7	3.7	2.0	2.6	4.5	5.1	2.3
1961.....	3.3	0.4	-0.7	3.6	3.0	4.2	2.9	4.3	-0.3
1962.....	6.7	3.1	3.5	6.9	3.5	2.9	3.3	2.6	0.0
1963.....	5.5	2.9	2.6	6.5	2.4	3.0	3.2	4.0	1.0
1964.....	8.4	4.3	4.2	9.1	3.8	3.8	4.8	4.4	0.6
1965.....	7.7	6.0	5.7	11.8	1.7	2.1	5.8	6.5	4.1
1966.....	6.7	4.7	3.7	13.0	1.8	2.9	7.5	8.7	5.8
1967.....	3.4	1.7	1.1	9.3	1.8	2.2	7.7	8.0	5.4
1968.....	5.4	0.3	-0.7	6.5	5.1	6.2	6.5	7.4	1.4
1969.....	5.3	3.4	2.3	10.8	1.9	3.0	7.0	8.3	5.1
1970.....	1.8	0.1	-0.8	7.2	1.5	2.5	6.9	8.0	5.4
1971.....	5.6	2.1	1.5	9.5	3.5	4.2	7.3	8.0	3.9
1972.....	7.1	4.2	3.7	12.0	2.8	3.3	7.6	7.7	4.2
1973.....	8.7	5.9	5.7	15.9	2.8	2.8	9.4	9.7	6.5
1974.....	4.1	5.2	4.5	19.0	-1.1	-0.4	13.3	13.9	14.7
1975.....	0.4	1.1	0.2	14.6	-0.7	0.1	13.1	14.3	13.9
1976.....	6.6	1.9	1.4	15.2	4.7	5.3	13.3	13.7	8.2
1977.....	3.6	2.6	1.4	11.0	1.0	2.3	8.2	9.7	7.1
1978.....	3.7	3.1	3.6	9.0	0.5	0.0	5.5	5.0	5.0
1979.....	4.9	4.3	3.7	12.9	0.5	1.1	8.4	9.0	7.7
1980.....	1.9	2.4	2.0	13.3	-0.4	-0.1	10.6	11.0	11.2
1981.....	4.2	3.2	2.2	14.9	0.9	1.9	11.4	12.5	10.4
1982.....	-5.3	-3.2	-5.0	4.8	-2.2	-0.3	8.2	10.3	10.7
1983.....	3.9	-0.1	-0.3	4.2	4.1	4.3	4.3	4.5	0.2
1984.....	7.5	3.0	3.8	8.3	4.3	3.5	5.2	4.4	0.8
1985.....	5.7	3.9	4.3	8.9	1.7	1.3	4.8	4.3	3.0
1986.....	3.3	1.8	2.1	6.1	1.4	1.2	4.0	3.8	2.6
1987.....	4.8	2.7	3.5	7.4	2.2	1.3	4.6	3.8	2.5

Reference Table 38
Productivity and Costs,
Business Sector Non-Agricultural Goods-Producing Industries
1946 – 1987
(1981 = 100)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1946.....	18.6	57.6	65.9	4.0	32.2	28.1	6.9	6.0	21.5
1947.....	20.4	62.6	71.1	5.3	32.5	28.6	8.4	7.4	25.8
1948.....	21.6	64.0	72.6	6.1	33.7	29.7	9.5	8.4	28.1
1949.....	22.5	65.0	72.7	6.4	34.5	30.8	9.8	8.8	28.4
1950.....	24.2	66.2	73.7	6.9	36.6	32.8	10.4	9.4	28.5
1951.....	26.4	70.9	78.6	8.3	37.0	33.4	11.6	10.5	31.4
1952.....	27.6	71.7	78.8	9.1	38.4	35.0	12.7	11.6	33.0
1953.....	29.7	72.3	79.8	9.8	41.0	37.2	13.5	12.2	32.8
1954.....	29.9	69.6	75.3	9.6	42.9	39.7	13.8	12.8	32.2
1955.....	33.2	71.7	77.5	10.2	46.2	42.8	14.2	13.1	30.7
1956.....	36.7	75.7	81.9	11.5	48.6	44.8	15.3	14.1	31.4
1957.....	37.7	76.2	81.6	12.2	49.4	46.0	16.1	15.0	32.5
1958.....	37.6	71.8	76.8	12.0	52.3	48.9	16.7	15.6	32.0
1959.....	40.0	73.1	78.5	12.7	54.6	50.8	17.4	16.2	31.9
1960.....	40.6	72.2	77.0	13.2	56.3	52.7	18.3	17.1	32.4
1961.....	42.1	71.0	75.0	13.3	59.4	56.2	18.7	17.7	31.5
1962.....	45.8	72.8	77.9	14.1	63.0	58.9	19.4	18.1	30.8
1963.....	48.2	74.4	79.5	14.9	64.8	60.7	20.1	18.8	31.0
1964.....	52.6	77.6	83.3	16.2	67.8	63.2	20.9	19.5	30.9
1965.....	57.3	82.2	88.3	18.2	69.7	64.9	22.2	20.6	31.8
1966.....	60.5	85.8	91.8	20.5	70.5	65.9	23.9	22.4	34.0
1967.....	62.0	85.5	90.7	22.0	72.5	68.3	25.7	24.2	35.5
1968.....	65.8	84.7	89.6	23.3	77.7	73.5	27.5	26.0	35.4
1969.....	69.1	86.0	90.0	25.4	80.4	76.8	29.6	28.2	36.8
1970.....	68.0	84.1	87.6	26.8	80.9	77.7	31.9	30.6	39.4
1971.....	71.6	85.1	87.9	29.3	84.1	81.4	34.5	33.4	41.0
1972.....	76.5	87.1	90.0	32.3	87.8	85.0	37.1	35.9	42.2
1973.....	84.3	91.7	94.6	37.7	92.0	89.1	41.1	39.8	44.7
1974.....	86.1	94.5	97.0	44.6	91.1	88.7	47.2	45.9	51.8
1975.....	82.3	92.6	94.3	50.4	88.9	87.4	54.4	53.4	61.2
1976.....	89.0	94.0	95.4	58.1	94.6	93.3	61.8	60.9	65.3
1977.....	92.4	93.7	94.7	64.0	98.6	97.6	68.3	67.6	69.3
1978.....	94.0	95.0	96.3	69.0	99.0	97.6	72.6	71.6	73.4
1979.....	97.7	98.9	100.0	77.4	98.7	97.6	78.3	77.4	79.3
1980.....	96.1	98.9	99.7	86.3	97.2	96.4	87.3	86.5	89.8
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	92.2	92.7	90.7	100.3	99.5	101.7	108.2	110.6	108.7
1983.....	96.8	90.6	89.7	103.4	106.8	107.9	114.2	115.3	106.9
1984.....	106.3	92.1	92.2	110.6	115.4	115.3	120.1	120.0	104.1
1985.....	111.8	94.9	95.5	119.3	117.8	117.0	125.7	124.9	106.7
1986.....	113.6	96.3	97.1	126.0	117.9	117.0	130.8	129.8	111.0
1987.....	119.2	98.6	100.7	135.3	120.9	118.4	137.2	134.4	113.5

Source: Statistics Canada, *Aggregate Productivity Measures* (15-204).

Table 38.1
Change in Productivity and Costs,
Business Sector Non-Agricultural Goods-Producing Industries
1947 – 1987
(per cent)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1947.....	9.7	8.7	7.9	32.5	0.9	1.8	21.7	23.3	20.0
1948.....	5.9	2.2	2.1	15.1	3.7	3.8	13.1	13.5	8.9
1949.....	4.2	1.6	0.1	4.9	2.4	3.7	3.2	4.8	1.1
1950.....	7.6	1.8	1.4	7.8	6.1	6.5	6.1	6.8	0.4
1951.....	9.1	7.1	6.6	20.3	1.1	1.8	11.5	11.7	10.2
1952.....	4.5	1.1	0.3	9.6	3.8	4.8	9.5	10.5	5.1
1953.....	7.6	0.8	1.3	7.7	6.8	6.3	6.3	5.2	-0.6
1954.....	0.7	-3.7	-5.6	-2.0	4.6	6.7	2.2	4.9	-1.8
1955.....	11.0	3.0	2.9	6.2	7.7	7.8	2.9	2.3	-4.7
1956.....	10.5	5.6	5.7	12.7	5.2	4.7	7.7	7.6	2.3
1957.....	2.7	0.7	-0.4	6.1	1.6	2.7	5.2	6.4	3.5
1958.....	-0.3	-5.8	-5.9	-1.6	5.9	6.3	3.7	4.0	-1.5
1959.....	6.4	1.8	2.2	5.8	4.4	3.9	4.2	3.8	-0.3
1960.....	1.5	-1.2	-1.9	3.9	3.1	3.7	5.2	5.6	1.6
1961.....	3.7	-1.7	-2.6	0.8	5.5	6.6	2.2	3.5	-2.8
1962.....	8.8	2.5	3.9	6.0	6.1	4.8	3.7	2.3	-2.2
1963.....	5.2	2.2	2.1	5.7	2.9	3.1	3.6	3.9	0.6
1964.....	9.1	4.3	4.8	8.7	4.6	4.1	4.0	3.7	-0.3
1965.....	8.9	5.9	6.0	12.3	2.8	2.7	6.2	5.6	2.9
1966.....	5.6	4.4	4.0	12.6	1.1	1.5	7.7	8.7	6.9
1967.....	2.5	-0.3	-1.2	7.3	2.8	3.6	7.5	8.0	4.4
1968.....	6.1	-0.9	-1.2	5.9	7.2	7.6	7.0	7.4	-0.3
1969.....	5.0	1.5	0.4	9.0	3.5	4.5	7.6	8.5	4.0
1970.....	-1.6	-2.2	-2.7	5.5	0.6	1.2	7.8	8.5	7.1
1971.....	5.3	1.2	0.3	9.3	4.0	4.8	8.2	9.2	4.1
1972.....	6.8	2.4	2.4	10.2	4.4	4.4	7.5	7.5	2.9
1973.....	10.2	5.3	5.1	16.7	4.8	4.8	10.8	10.9	5.9
1974.....	2.1	3.1	2.5	18.3	-1.0	-0.4	14.8	15.3	15.9
1975.....	-4.4	-2.0	-2.8	13.0	-2.4	-1.5	15.3	16.3	18.1
1976.....	8.1	1.5	1.2	15.3	6.4	6.8	13.6	14.0	6.7
1977.....	3.8	-0.3	-0.7	10.2	4.2	4.6	10.5	11.0	6.1
1978.....	1.7	1.4	1.7	7.8	0.4	0.0	6.3	5.9	5.9
1979.....	3.9	4.1	3.8	12.2	-0.3	0.0	7.9	8.1	8.0
1980.....	-1.6	0.0	-0.3	11.5	-1.5	-1.2	11.5	11.8	13.2
1981.....	4.1	1.1	0.3	15.9	2.9	3.7	14.5	15.6	11.4
1982.....	-7.8	-7.3	-9.3	0.3	-0.5	1.7	8.2	10.6	8.7
1983.....	5.0	-2.3	-1.1	3.1	7.3	6.1	5.5	4.2	-1.7
1984.....	9.8	1.7	2.8	7.0	8.1	6.9	5.2	4.1	-2.6
1985.....	5.2	3.0	3.6	7.9	2.1	1.5	4.7	4.1	2.5
1986.....	1.6	1.5	1.7	5.6	0.1	0.0	4.1	3.9	4.0
1987.....	4.9	2.4	3.7	7.4	2.5	1.2	4.9	3.5	2.3

Reference Table 39
Productivity and Costs,
Business Sector Services-Producing Industries
1946 – 1987
(1981 = 100)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1946.....	17.4	26.7	34.6	2.9	65.2	50.3	11.0	8.5	16.9
1947.....	18.8	29.0	37.2	3.3	64.6	50.5	11.4	8.9	17.6
1948.....	19.1	30.3	38.7	3.8	63.2	49.3	12.4	9.7	19.6
1949.....	19.9	31.0	39.5	4.1	64.0	50.4	13.3	10.4	20.7
1950.....	20.9	31.5	39.3	4.3	66.3	53.4	13.6	11.0	20.6
1951.....	22.1	32.8	40.3	4.9	67.4	54.7	14.9	12.1	22.1
1952.....	23.3	34.1	41.8	5.4	68.4	55.9	15.9	13.0	23.3
1953.....	24.3	34.9	42.2	6.0	69.7	57.6	17.1	14.1	24.5
1954.....	24.7	35.4	42.7	6.2	69.7	57.8	17.6	14.6	25.2
1955.....	26.7	36.5	43.7	6.6	73.3	61.3	18.2	15.2	24.8
1956.....	28.7	38.8	46.5	7.4	74.1	61.9	19.2	16.0	25.8
1957.....	29.5	40.7	48.5	8.2	72.4	60.7	20.1	16.9	27.8
1958.....	29.8	41.0	48.4	8.5	72.8	61.7	20.8	17.6	28.6
1959.....	31.7	42.2	49.7	9.1	75.0	63.6	21.6	18.3	28.8
1960.....	32.4	42.8	50.0	9.6	75.7	64.8	22.6	19.2	29.7
1961.....	33.6	43.7	50.7	10.2	76.9	66.3	23.3	20.1	30.3
1962.....	35.2	45.3	52.4	10.9	77.6	67.2	24.0	20.8	31.0
1963.....	37.2	47.0	53.8	11.7	79.1	69.1	24.9	21.7	31.4
1964.....	40.0	49.1	55.9	12.8	81.4	71.5	26.1	22.9	32.0
1965.....	42.7	52.0	58.8	14.3	82.0	72.6	27.6	24.4	33.6
1966.....	46.0	54.7	60.8	16.2	84.0	75.6	29.5	26.6	35.2
1967.....	48.0	56.6	62.9	18.1	84.8	76.4	31.9	28.7	37.6
1968.....	50.2	57.4	62.7	19.4	87.5	80.0	33.8	30.9	38.6
1969.....	53.1	60.4	65.4	21.8	88.0	81.2	36.2	33.4	41.1
1970.....	55.9	61.8	66.0	23.8	90.5	84.7	38.6	36.1	42.6
1971.....	59.2	63.6	67.5	26.1	93.1	87.7	41.1	38.7	44.1
1972.....	63.5	67.1	70.8	29.6	94.6	89.6	44.1	41.8	46.7
1973.....	68.3	71.4	75.3	34.1	95.7	90.6	47.8	45.3	50.0
1974.....	72.3	76.3	79.9	41.0	94.7	90.5	53.7	51.3	56.7
1975.....	75.5	78.9	82.1	47.4	95.6	91.9	60.0	57.7	62.8
1976.....	79.8	80.7	83.3	54.7	98.9	95.8	67.8	65.7	68.5
1977.....	82.5	84.4	85.7	61.1	97.7	96.3	72.4	71.3	74.1
1978.....	86.7	88.0	90.0	67.1	98.5	96.4	76.2	74.6	77.4
1979.....	91.7	92.0	93.2	76.3	99.7	98.3	83.0	81.8	83.2
1980.....	95.9	95.6	96.6	87.5	100.3	99.3	91.5	90.6	91.2
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	96.8	99.4	97.8	108.7	97.4	98.9	109.4	111.1	112.3
1983.....	99.8	100.5	98.0	114.1	99.3	101.9	113.5	116.5	114.3
1984.....	105.4	104.2	102.3	124.9	101.1	103.0	119.8	122.1	118.5
1985.....	111.8	108.8	107.2	137.0	102.7	104.3	125.9	127.8	122.6
1986.....	117.1	111.1	109.8	145.7	105.4	106.6	131.1	132.6	124.4
1987.....	122.7	114.2	113.6	156.4	107.4	108.0	136.9	137.7	127.5

Source: Statistics Canada, *Aggregate Productivity Measures* (15-204).

Table 39.1
Change in Productivity and Costs,
Business Sector Services-Producing Industries
1947 – 1987
(per cent)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1947.....	8.0	8.6	7.5	13.8	-0.9	0.4	3.6	4.7	4.1
1948.....	1.6	4.5	4.0	15.2	-2.2	-2.4	8.8	9.0	11.4
1949.....	4.2	2.3	2.1	7.9	1.3	2.2	7.3	7.2	5.6
1950.....	5.0	1.6	-0.5	4.9	3.6	6.0	2.3	5.8	-0.5
1951.....	5.7	4.1	2.5	14.0	1.7	2.4	9.6	10.0	7.3
1952.....	5.4	4.0	3.7	10.2	1.5	2.2	6.7	7.4	5.4
1953.....	4.3	2.3	1.0	11.1	1.9	3.0	7.5	8.5	5.2
1954.....	1.6	1.4	1.2	3.3	0.0	0.3	2.9	3.5	2.9
1955.....	8.1	3.1	2.3	6.5	5.2	6.1	3.4	4.1	-1.6
1956.....	7.5	6.3	6.4	12.1	1.1	1.0	5.5	5.3	4.0
1957.....	2.8	4.9	4.3	10.8	-2.3	-1.9	4.7	5.6	7.8
1958.....	1.0	0.7	-0.2	3.7	0.6	1.6	3.5	4.1	2.9
1959.....	6.4	2.9	2.7	7.1	3.0	3.1	3.8	4.0	0.7
1960.....	2.2	1.4	0.6	5.5	0.9	1.9	4.6	4.9	3.1
1961.....	3.7	2.1	1.4	6.2	1.6	2.3	3.1	4.7	2.0
1962.....	4.8	3.7	3.4	6.9	0.9	1.4	3.0	3.5	2.3
1963.....	5.7	3.8	2.7	7.3	1.9	2.8	3.7	4.3	1.3
1964.....	7.5	4.5	3.9	9.4	2.9	3.5	4.8	5.5	1.9
1965.....	6.7	5.9	5.2	11.7	0.7	1.5	5.7	6.6	5.0
1966.....	7.7	5.2	3.4	13.3	2.4	4.1	6.9	9.0	4.8
1967.....	4.3	3.5	3.5	11.7	1.0	1.1	8.1	7.9	6.8
1968.....	4.6	1.4	-0.3	7.2	3.2	4.7	6.0	7.7	2.7
1969.....	5.8	5.2	4.3	12.4	0.6	1.5	7.1	8.1	6.5
1970.....	5.3	2.3	0.9	9.2	2.8	4.3	6.6	8.1	3.6
1971.....	5.9	2.9	2.3	9.7	2.9	3.5	6.5	7.2	3.5
1972.....	7.3	5.5	4.9	13.4	1.6	2.2	7.3	8.0	5.9
1973.....	7.6	6.4	6.4	15.2	1.2	1.1	8.4	8.4	7.1
1974.....	5.9	6.9	6.1	20.2	-1.0	-0.1	12.3	13.2	13.4
1975.....	4.4	3.4	2.8	15.6	1.0	1.5	11.7	12.5	10.8
1976.....	5.7	2.3	1.5	15.4	3.5	4.2	13.0	13.9	9.1
1977.....	3.4	4.6	2.9	11.7	-1.2	0.5	6.8	8.5	8.2
1978.....	5.1	4.3	5.0	9.8	0.8	0.1	5.2	4.6	4.5
1979.....	5.8	4.5	3.6	13.7	1.2	2.0	8.9	9.7	7.5
1980.....	4.6	3.9	3.6	14.7	0.6	1.0	10.2	10.8	9.6
1981.....	4.3	4.6	3.5	14.3	-0.3	0.7	9.3	10.4	9.6
1982.....	-3.2	-0.6	-2.2	8.7	-2.6	-1.1	9.4	11.1	12.3
1983.....	3.1	1.1	0.2	5.0	2.0	3.0	3.7	4.9	1.8
1984.....	5.6	3.7	4.4	9.5	1.8	1.1	5.6	4.8	3.7
1985.....	6.1	4.4	4.8	9.7	1.6	1.3	5.1	4.7	3.5
1986.....	4.7	2.1	2.4	6.4	2.6	2.2	4.1	3.8	1.5
1987.....	4.8	2.8	3.5	7.3	1.9	1.3	4.4	3.8	2.5

Reference Table 40
Productivity and Costs,
Manufacturing Industries
1946 – 1987
(1981 = 100)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1946.....	20.3	60.6	69.2	4.3	33.5	29.3	7.2	6.3	21.5
1947.....	22.2	64.7	73.2	5.7	34.2	30.3	8.8	7.8	25.6
1948.....	23.2	66.1	75.1	6.6	35.0	30.8	9.9	8.8	28.4
1949.....	23.9	67.2	74.8	6.9	35.5	31.8	10.3	9.2	29.1
1950.....	25.4	67.9	74.9	7.4	37.4	33.8	10.9	9.9	29.3
1951.....	27.6	72.1	78.3	8.8	38.3	35.2	12.2	11.2	31.9
1952.....	28.6	73.7	79.0	9.7	38.8	36.1	13.2	12.3	34.0
1953.....	30.6	75.9	81.9	10.6	40.3	37.4	13.9	12.9	34.5
1954.....	30.0	72.6	76.8	10.5	41.3	39.1	14.4	13.7	34.9
1955.....	32.8	74.3	78.9	11.1	44.2	41.5	15.0	14.1	33.9
1956.....	35.9	77.4	82.9	12.3	46.4	43.4	15.9	14.8	34.3
1957.....	35.8	77.8	82.2	13.0	46.1	43.6	16.7	15.8	36.3
1958.....	35.2	73.8	78.1	13.0	47.7	45.1	17.6	16.6	37.0
1959.....	37.7	74.6	79.3	13.7	50.7	47.5	18.4	17.3	36.4
1960.....	38.4	73.9	78.1	14.2	52.0	49.3	19.2	18.2	37.0
1961.....	40.0	73.3	77.0	14.4	54.5	51.9	19.6	18.7	36.0
1962.....	44.6	75.5	80.2	15.4	59.0	55.5	20.5	19.3	34.7
1963.....	47.5	77.4	82.5	16.5	61.4	57.6	21.4	20.0	34.8
1964.....	52.2	80.9	86.6	18.1	64.6	60.3	22.3	20.9	34.6
1965.....	57.5	85.1	91.1	20.0	67.6	63.1	23.6	22.0	34.9
1966.....	61.2	89.2	94.8	22.6	68.7	64.6	25.3	23.8	36.9
1967.....	62.6	89.9	95.1	24.0	69.6	65.8	26.7	25.3	38.4
1968.....	66.7	89.2	94.5	25.7	74.8	70.6	28.8	27.2	38.5
1969.....	71.4	91.0	96.1	28.2	78.5	74.4	31.0	29.4	39.5
1970.....	68.4	88.9	93.2	29.5	77.0	73.4	33.2	31.7	43.2
1971.....	72.7	88.8	92.5	31.6	82.0	78.6	35.6	34.1	43.4
1972.....	78.6	91.5	95.4	35.0	85.9	82.4	38.2	36.7	44.5
1973.....	87.1	95.7	99.3	39.4	91.0	87.7	41.2	39.7	45.3
1974.....	89.7	97.7	100.7	46.0	91.8	89.1	47.1	45.7	51.3
1975.....	83.7	95.4	97.3	50.8	87.7	86.0	53.3	52.3	60.7
1976.....	89.8	95.9	97.6	58.4	93.7	92.1	60.9	59.8	65.0
1977.....	93.1	93.9	95.8	63.4	99.2	97.1	67.6	66.2	68.2
1978.....	97.3	96.8	99.1	70.6	100.5	98.2	72.9	71.3	72.6
1979.....	101.0	100.3	101.9	80.0	100.7	99.1	79.7	78.5	79.2
1980.....	96.5	100.0	101.1	87.9	96.5	95.4	87.9	86.9	91.1
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	87.1	92.3	91.3	100.9	94.4	95.5	109.4	110.6	115.8
1983.....	92.7	90.4	90.6	106.2	102.6	102.4	117.5	117.3	114.5
1984.....	106.9	93.1	94.2	115.7	114.8	113.5	124.2	122.8	108.2
1985.....	112.8	95.5	97.0	125.0	118.1	116.3	130.9	128.9	110.8
1986.....	115.4	97.4	99.4	133.2	118.5	116.0	136.7	133.9	115.4
1987.....	120.9	99.7	102.4	143.3	121.3	118.0	143.8	139.9	118.6

Source: Statistics Canada, *Aggregate Productivity Measures* (15-204).

Table 40.1
Change in Productivity and Costs,
Manufacturing Industries
1947 – 1987
(per cent)

Year	Output	Persons employed	Total person-hours	Labour compensation	Output per person employed	Output per person-hour	Labour compensation per person employed	Labour compensation per person hour	Unit labour costs
1947.....	9.4	6.8	5.8	32.6	2.1	3.4	22.2	23.8	19.1
1948.....	4.5	2.2	2.6	15.8	2.3	1.7	12.5	12.8	10.9
1949.....	3.0	1.7	-0.4	4.5	1.4	3.2	4.0	4.5	2.5
1950.....	6.3	1.0	0.1	7.2	5.4	6.3	5.8	7.6	0.7
1951.....	8.7	6.2	4.5	18.9	2.4	4.1	11.9	13.1	8.9
1952.....	3.6	2.2	0.9	10.2	1.3	2.6	8.2	9.8	6.6
1953.....	7.0	3.0	3.7	9.3	3.9	3.6	5.3	4.9	1.5
1954.....	-2.0	-4.3	-6.2	-0.9	2.5	4.5	3.6	6.2	1.2
1955.....	9.3	2.3	2.7	5.7	7.0	6.1	4.2	2.9	-2.9
1956.....	9.5	4.2	5.1	10.8	5.0	4.6	6.0	5.0	1.2
1957.....	-0.3	0.5	-0.8	5.7	-0.6	0.5	5.0	6.8	5.8
1958.....	-1.7	-5.1	-5.0	0.0	3.5	3.4	5.4	5.1	1.9
1959.....	7.1	1.1	1.5	5.4	6.3	5.3	4.5	4.2	-1.6
1960.....	1.9	-0.9	-1.5	3.6	2.6	3.8	4.3	5.2	1.6
1961.....	4.2	-0.8	-1.4	1.4	4.8	5.3	2.1	2.7	-2.7
1962.....	11.5	3.0	4.2	6.9	8.3	6.9	4.6	3.2	-3.6
1963.....	6.5	2.5	2.9	7.1	4.1	3.8	4.4	3.6	0.3
1964.....	9.9	4.5	5.0	9.7	5.2	4.7	4.2	4.5	-0.6
1965.....	10.2	5.2	5.2	10.5	4.6	4.6	5.8	5.3	0.9
1966.....	6.4	4.8	4.1	13.0	1.6	2.4	7.2	8.2	5.7
1967.....	2.3	0.8	0.3	6.2	1.3	1.9	5.5	6.3	4.1
1968.....	6.5	-0.8	-0.6	7.1	7.5	7.3	7.9	7.5	0.3
1969.....	7.0	2.0	1.7	9.7	4.9	5.4	7.6	8.1	2.6
1970.....	-4.2	-2.3	-3.0	4.6	-1.9	-1.3	7.1	7.8	9.4
1971.....	6.3	-0.1	-0.8	7.1	6.5	7.1	7.2	7.6	0.5
1972.....	8.1	3.0	3.1	10.8	4.8	4.8	7.3	7.6	2.5
1973.....	10.8	4.6	4.1	12.6	5.9	6.4	7.9	8.2	1.8
1974.....	3.0	2.1	1.4	16.8	0.9	1.6	14.3	15.1	13.2
1975.....	-6.7	-2.4	-3.4	10.4	-4.5	-3.5	13.2	14.4	18.3
1976.....	7.3	0.5	0.3	15.0	6.8	7.1	14.3	14.3	7.1
1977.....	3.7	-2.1	-1.8	8.6	5.9	5.4	11.0	10.7	4.9
1978.....	4.5	3.1	3.4	11.4	1.3	1.1	7.8	7.7	6.5
1979.....	3.8	3.6	2.8	13.3	0.2	0.9	9.3	10.1	9.1
1980.....	-4.5	-0.3	-0.8	9.9	-4.2	-3.7	10.3	10.7	15.0
1981.....	3.6	0.0	-1.1	13.8	3.6	4.8	13.8	15.1	9.8
1982.....	-12.9	-7.7	-8.7	0.9	-5.6	-4.5	9.4	10.6	15.8
1983.....	6.4	-2.1	-0.8	5.3	8.7	7.2	7.4	6.1	-1.1
1984.....	15.3	3.0	4.0	8.9	11.9	10.8	5.7	4.7	-5.5
1985.....	5.5	2.6	3.0	8.0	2.9	2.5	5.4	5.0	2.4
1986.....	2.3	2.0	2.5	6.6	0.3	-0.3	4.4	3.9	4.2
1987.....	4.8	2.4	3.0	7.6	2.4	1.7	5.2	4.5	2.8

Reference Table 41
Effective Increase in Base Wage Rates By Industry (all agreements)
 1978 – 1987

(percentage changes on a life-of-contract basis)

Year	All Industries	Primary	Manufacturing	Construction	Transportation, communications and utilities	Trade, finance and insurance	Community, business and personal services	Total commercial	Total non-commercial	Total private sector	Federal administration	Federal crown corps.	Provincial administration	Local administration	Education, health and welfare	Tel., Elect. and water utilities	Total public sector
1978	7.6	8.2	8.8	—	7.5	9.9	6.8	8.2	7.0	8.6	7.2	6.3	7.8	7.5	6.8	6.8	7.1
1979	9.8	12.5	10.5	—	11.0	10.9	8.2	10.9	8.5	10.9	8.4	12.4	9.1	9.4	8.2	9.1	9.2
1980	11.1	13.8	11.6	—	11.6	11.8	10.8	11.6	10.8	11.6	11.3	11.1	11.3	10.8	10.8	10.2	11.0
1981	13.0	11.9	12.6	—	13.1	13.8	13.7	13.0	13.0	12.7	12.7	12.7	13.5	12.7	13.5	13.3	13.2
1982	10.4	7.8	9.1	—	10.8	10.7	11.2	10.2	10.5	9.7	8.3	10.6	11.8	12.1	11.4	12.3	10.6
1983	4.8	5.1	5.5	6.0	5.6	5.6	3.7	5.4	4.4	5.4	5.4	5.6	5.0	5.7	3.6	6.6	4.6
1984	3.6	3.3	4.0	1.9	4.1	3.6	3.2	3.4	3.8	3.2	5.0	4.6	5.2	3.2	3.0	2.6	3.9
1985	3.7	3.9	4.3	1.6	3.4	3.5	3.4	3.6	3.8	3.3	3.2	3.9	4.4	4.7	3.4	3.4	3.8
1986	3.4	1.5	3.2	3.0	3.3	2.0	3.6	3.0	3.7	2.9	3.6	3.7	4.0	3.4	3.6	2.8	3.7
1987	4.0	3.0	4.0	4.9	3.1	2.3	4.2	3.8	4.2	3.7	3.6	2.7	4.4	4.2	4.2	2.3	4.2
1982 I	12.9	12.7	10.5	—	13.5	10.0	13.7	12.9	12.8	11.1	11.8	14.4	13.4	13.4	13.9	16.2	13.3
1982 II	12.6	8.4	11.2	—	12.5	12.2	12.4	12.0	13.0	11.6	12.1	12.7	13.8	12.3	12.6	12.6	12.9
1982 III	9.6	6.0	7.8	—	11.1	11.3	12.0	9.3	10.2	8.0	8.2	11.7	12.5	9.6	12.6	10.8	10.7
1983 I	7.4	10.2	8.7	—	6.4	10.3	6.9	7.9	7.0	9.5	6.0	6.0	8.7	10.9	7.0	6.6	6.8
1983 II	5.0	5.4	4.7	11.9	6.0	5.4	3.6	5.6	4.7	6.3	6.0	6.0	5.5	6.0	3.5	7.7	4.8
1983 III	4.3	8.0	5.4	7.8	5.8	7.4	3.3	5.9	3.7	6.0	6.0	6.0	6.1	5.6	3.2	5.4	3.9
1983 IV	6.0	8.0	6.3	9.4	6.1	6.7	5.6	6.5	5.5	6.4	5.2	4.7	7.6	5.6	5.6	7.6	5.8
1984 I	4.2	3.5	4.9	3.6	5.0	2.9	3.0	4.4	4.0	4.0	5.0	5.0	2.2	5.2	3.1	5.9	4.3
1984 II	3.9	5.0	3.1	2.5	4.6	1.4	3.4	3.9	3.7	2.9	5.0	5.0	2.0	0.3	3.2	2.2	4.3
1984 III	3.1	2.8	4.4	1.2	4.0	5.2	2.4	2.9	3.4	2.8	5.0	5.0	3.8	4.1	2.2	2.5	3.4
1984 IV	3.1	3.4	3.1	2.5	3.9	4.0	3.0	3.1	3.0	3.1	5.0	4.1	4.0	2.2	2.9	3.0	3.0
1985 I	4.4	2.9	5.1	2.2	3.0	2.8	3.9	4.1	4.6	4.4	4.1	2.6	6.0	3.8	3.9	5.4	4.3
1985 II	3.3	3.2	4.5	—	2.5	3.0	3.9	2.9	4.0	2.6	3.5	2.9	4.2	4.2	3.9	4.9	3.8
1985 III	3.6	4.4	4.1	2.8	3.8	3.5	3.2	3.9	3.3	3.7	3.4	4.1	3.4	4.4	3.1	5.3	3.5
1985 IV	3.7	4.1	3.2	—	3.3	2.5	4.1	3.4	4.2	3.5	2.7	2.6	3.9	5.2	4.1	2.5	3.9
1986 I	4.0	1.2	5.5	2.0	4.9	3.8	2.9	4.3	3.8	3.6	3.4	5.5	4.9	5.0	3.1	3.6	4.1
1986 II	3.7	0.5	4.4	2.6	3.7	3.0	4.1	4.0	3.3	4.1	3.7	4.0	2.4	3.9	3.6	0.0	3.5
1986 III	3.6	2.5	3.4	3.9	3.4	3.5	3.2	3.6	3.6	3.6	3.6	3.5	5.1	2.7	3.2	4.8	3.6
1986 IV	3.0	1.3	3.9	2.4	3.1	1.8	4.0	2.5	3.7	2.4	3.7	3.5	3.6	2.7	4.0	4.6	3.6
1987 I	3.3	1.9	2.2	2.1	2.2	1.8	3.9	2.1	4.2	2.0	3.7	2.9	4.3	4.9	4.0	1.2	4.0
1987 II	4.0	3.5	3.6	—	3.3	2.1	4.1	3.6	4.2	3.3	—	3.4	4.6	4.1	4.1	3.5	4.2
1987 III	4.1	2.2	3.0	4.9	3.2	2.8	4.3	3.8	4.3	3.4	3.4	2.8	4.5	4.1	4.3	1.8	4.3
1987 IV	3.8	3.5	4.1	—	2.8	—	3.9	3.4	4.3	3.8	3.4	2.4	5.1	4.3	3.9	1.3	3.8
1988 I	4.1	3.2	4.6	—	3.8	1.8	4.5	4.2	4.1	4.2	4.1	3.8	2.6	4.6	4.6	3.5	4.1
1988 II	4.0	6.3	4.2	5.0	3.4	2.2	3.1	4.1	3.8	4.4	3.4	3.5	4.1	5.3	3.1	3.6	3.6

Notes: Data refer to agreements which cover 500 or more employees.

The commercial/non-commercial breakdown employs the "standard industrial classification" system used by Statistics Canada which organizes establishments according to their principal economic activity. The private/public breakdown classifies contracts according to the industry of the employer.

Annual data represent a weighted average of the quarterly rates, where the weights are the number of workers settling in the quarter.

Settlements in the construction industry are not available before 1983. Other than in the construction industry, prior to 1983, a "—" sign means no settlement.

Source: Labour Canada, *Major Wage Settlements*, quarterly.

Reference Table 42

Effective Increase in Total Sector Base Wage Rates By Jurisdiction

1978 – 1987

(percentage changes on a life-of-contract basis)

Year	Canada	Canada excl. Ontario	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairies region	B.C.
1978	7.6	7.7	7.1	9.2	8.3	9.6	8.2	9.5	7.3	6.4	8.6	7.7	7.6	7.0
1979	9.8	9.9	7.4	9.4	9.7	7.9	8.7	11.4	8.9	8.8	9.0	8.7	8.8	9.7
1980	11.1	11.3	11.9	11.1	11.6	11.5	11.6	10.7	10.5	10.6	12.2	11.3	11.4	13.3
1981	13.0	13.3	12.2	14.2	13.6	15.8	13.6	12.4	12.3	14.3	12.4	14.3	13.9	14.4
1982	10.4	10.5	11.9	12.0	10.1	12.1	11.8	9.4	11.3	12.2	14.6	12.5	13.0	7.9
1983	4.8	4.6	4.7	2.1	7.4	7.3	6.7	2.1	6.3	8.7	6.6	6.8	7.2	3.1
1984	3.6	3.5	2.3	4.3	4.5	2.5	3.5	2.7	4.6	3.5	3.5	1.2	2.3	2.4
1985	3.7	3.1	2.2	4.5	4.9	2.5	2.9	3.8	5.1	2.9	2.1	1.9	2.2	1.7
1986	3.4	3.3	4.0	4.5	2.9	3.3	3.6	3.5	4.4	2.9	1.9	3.3	3.0	1.5
1987	4.0	3.9	3.9	5.6	3.1	3.6	3.5	4.4	4.7	3.1	2.0	1.9	2.3	3.2
1982	I	12.9	13.0	16.1	—	—	13.7	15.5	10.7	12.2	11.7	12.1	14.7	15.7
	II	12.6	12.7	11.0	10.3	12.3	12.8	12.1	10.3	12.4	12.3	14.8	12.4	13.3
	III	9.6	9.7	11.0	14.6	10.9	10.9	11.4	9.2	8.1	11.7	15.5	14.2	7.8
	IV	7.4	7.3	6.5	13.9	7.2	—	7.2	7.2	9.4	11.7	11.8	9.6	6.9
1983	I	5.0	4.6	—	—	7.2	7.7	7.2	1.5	6.9	8.7	6.9	9.9	6.1
	II	4.3	4.2	4.6	2.1	8.3	9.2	6.2	1.7	5.9	9.0	6.9	5.9	4.1
	III	6.0	5.9	—	—	8.3	6.6	7.1	5.9	6.3	9.1	6.1	6.3	7.0
	IV	4.2	4.2	5.3	—	5.9	—	5.7	4.7	4.1	7.3	4.4	4.3	4.4
1984	I	3.9	4.0	—	—	5.0	2.3	2.6	4.1	2.8	5.6	4.6	0.6	2.5
	II	3.1	3.0	1.8	1.9	4.5	3.5	3.0	1.2	3.9	3.1	3.0	1.2	2.6
	III	3.1	3.0	—	2.7	3.4	2.6	3.1	3.1	4.3	2.6	3.4	1.3	2.1
	IV	4.4	4.0	3.4	5.0	5.0	2.4	4.0	4.3	5.4	3.2	3.6	1.4	1.9
1985	I	3.3	2.8	4.4	—	4.8	2.7	3.7	4.9	4.6	3.5	2.4	1.5	2.2
	II	3.6	3.3	1.0	4.5	4.6	2.6	2.4	4.2	4.5	2.9	—	2.6	1.8
	III	3.7	3.3	2.8	—	5.6	3.6	4.4	3.4	5.1	3.0	—	1.3	1.3
	IV	4.0	3.2	1.7	—	4.4	0.0	1.9	3.2	5.8	2.9	2.1	1.9	1.3
1986	I	3.7	3.6	0.7	6.0	3.3	2.4	2.7	5.9	4.7	2.7	1.7	2.8	0.9
	II	3.6	3.5	3.7	—	3.4	3.4	3.4	3.6	4.4	2.6	2.3	2.8	1.8
	III	3.0	2.9	4.1	4.1	2.3	3.3	3.5	3.1	4.1	3.1	1.5	2.9	1.3
	IV	3.3	3.1	4.6	5.1	—	2.7	4.1	3.5	4.4	2.9	2.0	4.3	1.6
1987	I	4.0	4.0	—	—	3.0	2.8	3.0	4.4	4.5	2.8	2.9	2.2	3.9
	II	4.1	4.1	3.1	6.0	3.1	3.0	3.4	4.4	4.5	3.3	—	1.8	2.3
	III	3.8	3.6	4.3	—	3.7	2.6	3.5	4.2	4.8	3.8	1.1	1.6	3.2
	IV	4.1	3.9	—	4.5	3.0	5.2	4.3	4.4	4.9	2.1	1.4	1.8	2.2
1988	I	4.0	4.0	—	4.9	8.5	4.4	5.2	4.7	4.4	3.7	1.4	2.4	3.0

Reference Table 42 (continued)

Effective Increase in Public Sector Base Wage Rates By Jurisdiction

1978 – 1987

(percentage changes on a life-of-contract basis)

Year		Canada	Canada excl. Ontario	Nfld.	P.E.I.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairies region	B.C.
1978		7.1	8.0	6.8	9.2	8.5	10.0	8.2	10.2	6.2	6.3	8.6	7.6	7.5	6.0
1979		9.2	10.1	7.2	9.4	9.6	7.6	8.6	10.9	8.2	8.7	8.4	8.5	8.5	8.5
1980		11.0	11.4	10.9	11.1	13.9	10.7	11.3	10.5	9.8	10.5	12.2	11.3	11.3	13.8
1981		13.2	13.3	12.5	14.2	13.8	15.8	14.0	12.5	12.7	14.9	12.1	14.3	13.9	15.7
1982		10.6	10.3	12.0	12.0	7.2	12.1	11.8	8.8	11.9	12.3	14.7	12.7	13.1	7.1
1983		4.6	4.6	4.6	2.1	7.0	7.0	6.3	1.4	6.0	9.0	6.6	7.1	7.4	2.5
1984		3.9	3.2	0.6	4.3	4.9	2.6	3.6	3.5	4.6	3.8	3.6	0.9	2.2	1.9
1985		3.8	2.6	1.4	4.5	5.2	2.7	2.4	3.6	5.2	2.8	2.1	2.1	2.3	1.4
1986		3.7	3.0	4.9	4.5	2.8	3.3	4.0	4.1	5.1	2.9	1.7	3.4	3.1	1.8
1987		4.2	3.7	0.0	5.6	3.6	2.7	3.6	4.0	4.8	2.3	2.0	2.2	2.2	3.1
1982	I	13.3	12.9	16.1	—	—	13.7	15.5	—	12.7	11.7	12.1	14.6	14.4	15.6
	II	12.9	12.6	—	10.3	—	12.7	12.0	10.3	12.5	12.4	14.9	12.4	13.5	—
	III	10.7	9.2	—	14.6	—	10.9	11.6	8.7	12.5	11.7	15.5	14.2	13.9	6.7
	IV	6.8	7.3	6.5	13.9	7.2	—	7.2	8.0	8.4	12.9	11.8	9.6	10.0	6.7
1983	I	4.8	4.5	—	—	7.2	7.7	7.2	1.4	7.0	8.9	6.9	9.9	8.2	6.6
	II	3.9	4.2	4.6	2.1	6.1	6.6	4.8	1.1	5.9	10.2	7.0	6.0	6.8	4.0
	III	5.8	6.4	—	—	6.2	7.0	6.8	—	5.6	9.5	6.1	6.3	6.9	3.1
	IV	4.3	4.3	5.0	—	6.3	—	6.0	5.5	3.4	5.8	3.6	4.8	4.7	1.4
1984	I	4.3	4.5	—	—	5.0	2.5	2.8	2.9	0.0	7.0	4.6	0.4	3.7	2.3
	II	3.4	2.8	0.0	1.9	4.5	3.5	2.7	2.5	4.7	3.4	3.0	0.7	1.9	1.4
	III	3.0	2.3	—	2.7	4.5	2.5	3.5	9.1	5.1	3.8	3.8	1.0	1.8	1.8
	IV	4.3	3.2	3.4	5.0	5.1	2.5	4.1	3.8	5.8	3.0	3.6	1.3	2.0	0.9
1985	I	3.8	2.1	3.0	—	5.1	2.6	3.0	4.9	4.7	—	2.4	3.3	3.1	2.3
	II	3.5	3.1	0.0	4.5	—	—	1.3	3.7	4.5	2.8	—	2.4	2.6	1.4
	III	3.9	2.3	—	—	5.6	4.0	5.2	3.2	5.8	3.0	—	1.2	1.7	0.9
	IV	4.1	2.7	1.7	—	4.8	—	1.9	3.2	5.8	2.7	2.1	1.9	2.1	0.9
1986	I	3.5	3.6	1.3	6.0	—	2.4	3.1	3.8	4.8	2.8	1.5	2.8	2.2	0.8
	II	3.6	3.3	3.7	—	2.8	3.4	3.4	3.9	4.8	—	1.7	2.8	2.7	1.9
	III	3.6	2.3	4.6	4.1	—	3.5	4.1	4.0	6.3	3.0	—	3.0	3.0	2.0
	IV	4.0	2.9	6.5	5.1	—	2.4	5.9	4.5	4.6	2.9	2.2	4.4	4.1	1.6
1987	I	4.2	3.9	—	—	3.0	3.3	3.0	4.4	4.9	—	2.9	2.7	2.8	3.9
	II	4.3	4.1	3.1	6.0	4.8	—	5.0	3.9	4.3	2.0	—	2.3	2.1	1.0
	III	3.8	3.3	—	—	3.7	2.5	2.7	3.5	4.9	2.7	0.0	1.6	1.7	3.2
	IV	4.1	3.0	—	4.5	2.9	3.1	3.2	4.4	5.2	3.3	—	1.3	2.4	3.7
1988	I	3.6	4.0	—	—	8.5	—	8.5	4.8	3.9	6.3	1.4	—	3.4	—

Reference Table 42 (continued)

Effective Increase in Private Sector Base Wage Rates By Jurisdiction

1978 – 1987

(percentage changes on a life-of-contract basis)

Year	Canada	Canada excl. Ontario	Nfld.	N.S.	N.B.	Atlantic region	Que.	Ont.	Man.	Sask.	Alta.	Prairies region	B.C.
1978	8.6	7.3	7.9	7.4	8.6	7.9	9.3	8.6	7.9	9.1	8.4	8.4	8.2
1979	10.9	9.6	8.4	11.6	9.9	9.6	11.8	9.9	9.6	12.5	10.4	10.4	10.8
1980	11.6	10.9	13.4	10.0	14.0	12.1	11.6	11.6	11.7	13.8	11.7	11.9	12.1
1981	12.7	13.6	11.6	11.6	—	11.6	12.4	11.2	13.3	13.6	14.4	13.8	14.0
1982	9.7	11.7	11.0	11.6	11.9	11.5	9.6	8.9	10.0	12.4	11.1	11.0	10.1
1983	5.4	4.0	5.5	8.6	7.8	8.2	5.1	6.0	7.6	6.4	4.2	5.9	4.1
1984	3.2	3.3	3.9	2.8	1.9	3.0	2.5	4.1	2.7	2.6	3.1	2.9	2.6
1985	3.3	3.0	4.3	4.7	2.2	3.9	3.6	4.6	3.0	2.5	-1.7	2.2	1.9
1986	2.9	3.2	-1.2	2.9	2.8	2.1	3.5	3.7	2.8	2.8	1.8	2.5	1.0
1987	3.7	3.5	2.6	2.9	2.9	2.8	3.8	4.5	2.9	2.1	1.9	2.4	2.1
1982	I	11.1	13.4	—	—	—	10.7	10.4	—	—	17.1	17.1	15.9
	II	1.6	13.0	11.0	12.3	12.1	10.3	11.8	10.7	12.4	12.1	11.8	13.3
	III	8.0	13.1	11.0	10.9	11.0	9.3	6.3	—	—	—	—	8.6
	IV	9.5	1.8	—	—	—	7.1	9.9	9.0	—	9.6	9.5	8.6
1983	I	6.3	1.9	—	—	—	5.0	6.8	4.0	6.2	—	5.1	5.1
	II	6.0	3.5	—	9.7	11.8	10.1	5.5	5.9	6.7	5.2	6.1	4.3
	III	6.4	5.0	—	9.4	5.7	7.5	5.9	8.3	8.2	—	8.2	4.6
	IV	4.0	4.5	5.5	5.6	—	5.6	4.5	3.3	10.0	6.3	2.9	3.5
1984	I	2.9	4.3	—	—	0.0	4.5	2.9	4.4	—	1.2	3.2	2.6
	II	2.8	2.6	4.1	—	—	4.1	1.1	3.7	1.3	—	4.7	3.2
	III	3.1	2.7	—	2.2	2.9	2.4	3.0	4.0	1.2	2.6	2.2	2.4
	IV	4.4	3.5	3.6	4.3	2.0	3.6	4.8	5.0	4.5	—	4.0	2.8
1985	I	2.6	2.9	4.7	4.6	3.8	4.6	4.4	3.5	2.5	-9.9	-4.8	2.2
	II	3.7	1.5	4.7	4.6	2.6	4.0	4.4	2.9	—	3.4	3.0	2.3
	III	3.5	3.4	2.8	5.6	3.4	3.8	3.1	4.2	3.1	—	3.2	1.8
	IV	3.6	3.2	—	4.2	0.0	2.2	3.0	5.8	3.5	—	3.5	1.4
1986	I	4.1	3.6	0.0	3.3	—	2.0	6.1	4.3	2.2	3.4	—	3.0
	II	3.6	2.7	—	3.6	—	3.6	3.6	4.1	2.6	3.7	4.1	1.6
	III	2.4	3.0	1.0	2.3	2.9	2.3	3.1	2.9	3.4	1.5	2.1	0.5
	IV	2.0	3.2	-2.6	—	2.8	1.0	1.9	4.0	—	1.3	0.7	1.4
1987	I	3.3	3.9	—	—	2.3	2.3	4.1	4.1	—	1.7	2.0	2.3
	II	3.4	4.0	3.0	2.7	3.0	2.9	3.8	4.2	1.9	2.5	2.1	1.1
	III	3.8	2.6	1.8	—	3.1	2.4	3.6	4.7	5.1	3.1	—	2.8
	IV	4.2	3.1	—	3.1	—	3.1	4.4	4.7	3.6	1.4	—	1.5
1988	I	4.4	3.8	—	—	4.4	4.4	4.1	4.6	3.6	—	2.4	3.0

Note: Prince Edward Island doesn't appear in the table because there are no unionized groups of 500 or-more workers in the P.E.I. private sector.

Reference Table 43

Gross Domestic Product Implicit Price Indexes⁽¹⁾

1947 – 1987

(1981 = 100)

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Exports of goods and services ⁽²⁾	Imports of goods and services ⁽³⁾	Terms of trade	Gross domestic product
			Total	Government	Non-residential	Housing				
1947.....	22.0	10.5	20.8	19.9	20.6	15.9	21.4	24.6	87.1	18.8
1948.....	24.9	12.0	23.6	22.3	23.4	18.5	23.5	27.7	85.0	21.2
1949.....	25.8	12.9	24.7	23.3	24.5	19.3	24.3	28.5	85.4	22.1
1950.....	26.6	13.4	25.7	24.1	25.6	20.1	25.4	30.6	83.2	22.5
1951.....	29.3	14.9	29.6	28.9	29.3	23.4	28.3	33.8	83.8	25.1
1952.....	30.0	15.6	30.5	29.6	30.2	23.8	28.0	31.2	89.9	26.2
1953.....	29.9	16.0	30.5	27.8	30.5	24.0	27.4	31.3	87.6	26.2
1954.....	30.3	16.6	30.4	27.9	30.4	23.8	27.1	31.4	86.4	26.6
1955.....	30.3	17.2	31.2	29.9	31.0	24.2	28.2	31.8	88.8	26.8
1956.....	30.7	18.4	32.9	33.1	32.4	24.6	29.0	32.9	88.2	27.8
1957.....	31.8	19.3	33.4	31.3	33.2	25.3	28.9	33.9	85.3	28.3
1958.....	32.6	19.9	33.2	29.7	33.3	25.2	28.7	34.4	83.4	28.8
1959.....	33.0	20.6	33.4	29.8	33.6	25.2	29.1	34.1	85.5	29.4
1960.....	33.3	21.3	33.9	30.1	34.1	25.7	29.3	34.5	85.1	29.7
1961.....	33.5	22.0	33.6	29.1	34.2	25.9	29.8	35.4	84.0	29.9
1962.....	33.9	22.6	34.1	29.3	34.7	26.0	31.0	37.1	83.4	30.2
1963.....	34.7	23.2	35.0	30.4	35.6	26.6	31.3	38.0	82.2	30.9
1964.....	35.2	23.9	36.3	31.3	36.9	27.8	31.9	38.3	83.4	31.7
1965.....	36.0	25.0	38.2	33.4	38.8	29.3	32.5	38.5	84.4	32.8
1966.....	37.4	26.9	40.2	35.3	40.7	31.3	33.4	39.3	85.0	34.4
1967.....	38.9	28.7	41.2	35.6	41.8	33.1	34.1	40.0	85.4	35.8
1968.....	40.6	30.5	41.6	35.8	42.3	33.9	34.6	41.1	84.2	37.1
1969.....	42.3	33.1	43.4	37.3	44.1	35.6	35.3	42.3	83.5	38.8
1970.....	43.8	35.1	45.3	39.0	46.1	36.9	36.6	43.3	84.4	40.6
1971.....	44.9	37.2	47.6	41.0	48.4	39.2	36.7	44.3	82.7	41.9
1972.....	46.7	40.0	50.6	43.3	51.5	42.9	38.1	45.4	83.9	44.2
1973.....	49.7	42.9	55.5	47.9	56.5	50.4	43.3	48.7	88.8	48.1
1974.....	54.9	48.8	64.7	58.2	65.3	59.9	56.1	58.5	96.0	55.1
1975.....	60.8	55.6	71.4	64.9	72.0	64.6	61.9	67.0	92.5	60.5
1976.....	65.2	62.7	76.2	68.0	77.1	70.2	63.6	67.5	94.3	65.8
1977.....	70.0	68.0	80.3	72.3	81.1	73.0	67.6	75.1	90.1	69.9
1978.....	75.3	73.0	84.6	77.4	85.3	77.1	71.0	81.8	86.8	74.1
1979.....	81.7	80.1	90.6	84.0	91.3	83.2	83.0	89.7	92.5	81.6
1980.....	89.8	88.3	93.8	91.1	94.0	90.2	94.4	95.6	98.8	90.2
1981.....	100.0	99.9	100.0	99.9	100.0	100.1	100.0	100.0	100.0	100.0
1982.....	110.2	111.6	106.1	107.1	106.0	102.2	101.9	104.7	97.4	108.7
1983.....	117.1	118.3	106.7	109.7	106.3	105.8	102.5	104.4	98.2	114.1
1984.....	121.7	123.2	109.0	112.8	108.4	110.3	106.2	109.8	96.7	117.7
1985.....	126.2	128.8	112.0	115.7	111.4	113.4	107.3	113.0	94.9	121.1
1986.....	130.8	133.7	114.7	116.7	114.4	122.2	105.0	113.4	92.5	124.2
1987.....	135.7	139.4	118.1	120.3	117.9	133.5	104.0	110.3	94.2	129.6

⁽¹⁾ These implicit price indexes are currently weighted price indexes. They reflect not only pure price change, but also changing expenditure patterns within and between major groups. The implicit price index for gross domestic expenditure is derived by dividing the total of current dollars by the total of constant dollars.

⁽²⁾ Excludes investment income received from non-residents.

⁽³⁾ Excludes investment income paid to non-residents.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001)

Table 43.1
Change in Gross Domestic Product Implicit Price Indexes
 1948 – 1987
 (per cent)

Year	Personal expenditure on consumer goods and services	Government current expenditure on goods and services	Gross fixed capital formation				Exports of goods and services	Imports of goods and services	Terms of trade	Gross domestic product
			Total	Government	Non-residential	Housing				
1948.....	13.3	14.0	13.4	12.2	13.6	16.4	9.7	12.3	-2.4	12.9
1949.....	3.6	7.1	4.6	4.1	4.7	4.5	3.5	3.1	0.4	3.9
1950.....	3.1	3.9	4.4	3.7	4.5	4.4	4.5	7.3	-2.6	2.2
1951.....	10.1	11.2	14.9	20.0	14.1	16.4	11.2	10.4	0.8	11.7
1952.....	2.2	4.9	3.0	2.2	3.2	1.3	-0.9	-7.6	7.3	4.3
1953.....	-0.2	2.6	0.2	-5.9	1.2	0.9	-2.4	0.2	-2.5	0.0
1954.....	1.1	3.9	-0.3	0.2	-0.4	-0.9	-1.0	0.4	-1.4	1.6
1955.....	0.0	3.3	2.7	7.4	2.0	1.9	4.2	1.4	2.8	0.6
1956.....	1.6	7.1	5.2	10.7	4.4	1.5	2.7	3.4	-0.6	3.5
1957.....	3.4	5.2	1.5	-5.4	2.6	2.8	-0.4	3.0	-3.4	2.2
1958.....	2.5	3.0	-0.7	-5.1	0.2	-0.3	-0.6	1.5	-2.1	1.5
1959.....	1.2	3.4	0.7	0.3	0.9	0.0	1.6	-0.9	2.5	2.1
1960.....	1.0	3.6	1.4	1.1	1.6	1.9	0.7	1.1	-0.4	1.2
1961.....	0.6	3.2	-0.6	-3.3	0.2	0.9	1.4	2.8	-1.4	0.5
1962.....	1.3	2.4	1.3	0.8	1.4	0.3	4.0	4.7	-0.7	1.3
1963.....	2.2	2.8	2.9	3.6	2.7	2.5	0.9	2.4	-1.5	2.1
1964.....	1.5	3.1	3.6	3.0	3.7	4.2	2.2	0.7	1.4	2.6
1965.....	2.2	4.8	5.2	6.6	4.9	5.7	1.8	0.5	1.3	3.5
1966.....	3.8	7.3	5.3	5.8	5.1	6.7	2.8	2.1	0.7	4.8
1967.....	4.0	7.0	2.4	1.0	2.6	5.9	2.2	1.7	0.5	4.2
1968.....	4.5	6.2	1.0	0.3	1.1	2.2	1.3	2.8	-1.4	3.6
1969.....	4.1	8.4	4.4	4.5	4.4	5.0	2.2	3.0	-0.8	4.5
1970.....	3.6	6.0	4.4	4.5	4.4	3.8	3.5	2.4	1.1	4.6
1971.....	2.4	6.2	5.1	5.1	5.2	6.2	0.2	2.3	-2.1	3.2
1972.....	4.1	7.5	6.2	5.7	6.3	9.4	4.0	2.4	1.5	5.6
1973.....	6.4	7.2	9.8	10.6	9.6	17.6	13.6	7.3	5.8	8.8
1974.....	10.5	13.9	16.5	21.5	15.6	18.8	29.5	20.1	8.1	14.4
1975.....	10.6	13.8	10.4	11.4	10.3	7.7	10.5	14.5	-3.6	9.9
1976.....	7.3	12.9	6.8	4.9	7.1	8.7	2.7	0.7	1.9	8.7
1977.....	7.4	8.4	5.3	6.2	5.2	4.0	6.3	11.3	-4.5	6.2
1978.....	7.6	7.4	5.4	7.1	5.1	5.6	5.0	8.9	-3.6	6.0
1979.....	8.5	9.7	7.1	8.6	7.0	8.0	16.9	9.7	6.6	10.0
1980.....	9.9	10.2	3.5	8.4	3.0	8.3	13.6	6.5	6.7	10.6
1981.....	11.3	13.2	6.6	9.7	6.4	11.0	6.0	4.7	1.2	10.8
1982.....	10.2	11.7	6.1	7.2	6.0	2.1	2.0	4.7	-2.6	8.7
1983.....	6.3	6.0	0.6	2.4	0.3	3.5	0.6	-0.2	0.8	5.0
1984.....	3.9	4.1	2.1	2.8	2.0	4.2	3.6	5.1	-1.5	3.1
1985.....	3.6	4.6	2.8	2.6	2.7	2.8	1.0	2.9	-1.9	2.9
1986.....	3.7	3.8	2.5	0.9	2.7	7.8	-2.2	0.4	-2.5	2.5
1987.....	3.7	4.3	3.0	3.1	3.0	9.2	-1.0	-2.8	1.9	4.3

Reference Table 44

Consumer Price Indexes: Standard Classifications

1961 – 1987

(1981 = 100)

Year	All Items	Food	Housing	Clothing	Trans- portation	Health and personal care	Recreation and reading	Tobacco and alcohol
1961.....	31.6	26.2	32.3	40.6	32.4	31.8	38.6	37.2
1962.....	32.0	26.7	32.7	41.0	32.4	32.4	38.9	37.6
1963.....	32.6	27.5	33.0	42.0	32.4	33.2	39.5	37.7
1964.....	33.2	28.0	33.6	43.0	32.7	34.3	40.1	38.4
1965.....	34.0	28.7	34.2	43.8	34.0	35.9	40.7	39.1
1966.....	35.2	30.6	35.1	45.5	34.7	37.0	41.9	40.0
1967.....	36.5	30.9	36.6	47.7	36.2	38.9	44.1	41.0
1968.....	38.0	32.0	38.3	49.2	37.2	40.5	46.2	44.8
1969.....	39.7	33.3	40.3	50.5	38.9	42.4	49.0	46.4
1970.....	41.0	34.1	42.3	51.5	40.4	44.3	50.7	47.0
1971.....	42.2	34.4	44.2	52.2	42.1	45.2	52.3	47.8
1972.....	44.2	37.0	46.2	53.6	43.2	47.4	53.8	49.1
1973.....	47.6	42.4	49.2	56.3	44.3	49.7	56.1	50.6
1974.....	52.8	49.4	53.5	61.7	48.7	54.0	61.0	53.4
1975.....	58.5	55.7	58.9	65.4	54.4	60.2	67.3	59.9
1976.....	62.9	57.3	65.4	69.0	60.3	65.3	71.3	64.1
1977.....	67.9	62.0	71.5	73.7	64.5	70.2	74.7	68.7
1978.....	73.9	71.6	76.9	76.5	68.3	75.2	77.6	74.3
1979.....	80.7	81.0	82.3	83.6	74.9	82.0	82.9	79.6
1980.....	88.9	89.8	89.0	93.4	84.5	90.2	90.8	88.6
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	110.8	107.2	112.5	105.6	114.1	110.5	108.7	115.5
1983.....	117.2	111.2	120.1	109.8	119.8	118.2	115.7	130.0
1984.....	122.3	117.4	124.7	112.5	124.8	122.8	119.7	140.6
1985.....	127.1	120.8	129.0	115.6	130.8	127.2	124.5	154.0
1986.....	132.4	126.8	132.9	118.8	134.9	132.6	130.3	172.3
1987.....	138.2	132.4	138.3	123.8	139.9	139.2	137.3	183.9

Source: Statistics Canada, *The Consumer Price Index* (62-001).

Table 44.1
Change in Consumer Price Indexes
 1962 – 1987
 (per cent)

Year	All Items	Food	Housing	Clothing	Trans- portation	Health and personal care	Recreation and reading	Tobacco and alcohol
1962.....	1.2	1.9	1.2	0.9	-0.1	2.0	1.0	1.3
1963.....	1.7	3.2	1.1	2.5	-0.0	2.5	1.3	0.2
1964.....	1.8	1.6	1.5	2.5	1.1	3.3	1.7	1.8
1965.....	2.5	2.6	1.8	1.8	3.8	4.7	1.5	1.7
1966.....	3.7	6.4	2.8	3.8	2.3	3.0	2.9	2.3
1967.....	3.6	1.3	4.3	5.0	4.3	5.2	5.0	2.6
1968.....	4.0	3.3	4.6	3.0	2.7	4.1	4.9	9.1
1969.....	4.5	4.3	5.2	2.8	4.5	4.8	5.9	3.8
1970.....	3.4	2.3	4.9	1.9	4.0	4.5	3.5	1.2
1971.....	2.8	1.1	4.6	1.5	4.1	2.0	3.3	1.7
1972.....	4.8	7.6	4.6	2.6	2.6	4.8	2.8	2.7
1973.....	7.6	14.6	6.5	4.9	2.7	4.9	4.2	3.1
1974.....	10.9	16.3	8.7	9.6	9.9	8.6	8.8	5.5
1975.....	10.8	12.9	10.0	6.0	11.7	11.4	10.4	12.0
1976.....	7.5	2.7	11.1	5.6	10.8	8.5	6.0	7.1
1977.....	8.0	8.3	9.4	6.8	7.0	7.4	4.7	7.1
1978.....	8.9	15.5	7.5	3.9	5.8	7.2	3.9	8.1
1979.....	9.2	13.2	7.0	9.2	9.7	9.1	6.9	7.2
1980.....	10.2	10.7	8.1	11.7	12.8	9.9	9.5	11.2
1981.....	12.5	11.4	12.4	7.1	18.4	10.9	10.1	12.9
1982.....	10.8	7.2	12.5	5.6	14.1	10.5	8.7	15.5
1983.....	5.8	3.7	6.8	4.0	5.0	7.0	6.5	12.6
1984.....	4.3	5.5	3.8	2.4	4.2	3.9	3.4	8.2
1985.....	4.0	2.9	3.5	2.8	4.8	3.5	4.0	9.5
1986.....	4.2	5.0	3.0	2.8	3.2	4.2	4.7	11.9
1987.....	4.4	4.4	4.0	4.2	3.6	5.0	5.4	6.7

Reference Table 45

Consumer Price Indexes: Reclassified by Goods and Services

1961 – 1987

(1981 = 100)

Year	All items	Total excluding food	Total commodities	Total commodities excluding food	Non-durables	Non-durables excluding food	Durables	Total services ⁽¹⁾	Services excluding shelter
1961.....	31.6	34.0	32.5	38.8	27.5	31.4	50.7	29.6	28.1
1962.....	32.0	34.3	32.8	39.0	27.9	31.7	50.2	30.1	28.6
1963.....	32.6	34.7	33.4	39.3	28.4	31.7	50.3	30.6	29.1
1964.....	33.2	35.4	33.8	39.6	28.9	32.1	49.8	31.5	30.0
1965.....	34.0	36.2	34.4	40.1	29.5	32.6	49.7	32.7	31.5
1966.....	35.2	37.2	35.7	41.0	30.9	33.4	49.7	33.8	32.8
1967.....	36.5	38.9	36.6	42.4	31.5	34.4	51.1	35.6	34.8
1968.....	38.0	40.6	38.0	44.0	32.8	36.2	51.9	37.5	36.3
1969.....	39.7	42.4	39.2	45.1	34.1	37.5	52.4	40.0	38.6
1970.....	41.0	44.0	40.0	46.0	34.9	38.4	53.1	42.3	40.6
1971.....	42.2	45.6	40.7	47.0	35.6	39.6	53.9	44.4	42.3
1972.....	44.2	47.3	42.5	48.0	37.6	40.7	54.6	46.7	44.2
1973.....	47.6	49.7	46.3	49.9	42.0	42.8	55.3	49.6	46.4
1974.....	52.8	54.0	52.1	54.8	48.1	47.6	59.6	53.5	50.5
1975.....	58.5	59.5	57.8	59.9	54.3	53.8	64.1	59.3	57.1
1976.....	62.9	65.1	60.6	63.9	56.9	58.4	67.6	66.5	64.7
1977.....	67.9	70.2	65.1	68.2	61.5	62.9	71.0	72.5	70.6
1978.....	73.9	74.7	71.7	72.2	69.1	67.4	75.2	77.4	75.2
1979.....	80.7	80.6	79.3	78.8	76.9	73.5	82.4	82.9	81.3
1980.....	88.9	88.7	88.4	88.0	86.2	83.3	91.3	89.7	89.2
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	110.8	111.8	109.4	110.7	111.6	116.6	105.6	112.9	113.5
1983.....	117.2	119.0	115.3	117.7	118.6	127.1	109.8	120.2	120.5
1984.....	122.3	123.8	120.7	122.6	125.5	134.2	113.4	124.8	125.4
1985.....	127.1	129.0	125.4	128.1	131.3	142.7	116.8	129.7	130.9
1986.....	132.4	134.1	129.6	131.6	135.2	144.7	122.8	136.3	139.0
1987.....	138.2	139.9	134.9	136.8	141.2	151.0	126.6	142.8	145.0

⁽¹⁾ Includes new houses, property taxes, and mortgage interest, but excludes the commodity component of shelter repairs.Source: Statistics Canada, *The Consumer Price Index* (62-001).

Table 45.1

Change in Consumer Price Indexes Reclassified by Goods and Services

1962 – 1987

(per cent)

Year	All items	Total excluding food	Total commodities	Total commodities excluding food	Non-durables	Non-durables excluding food	Durables	Total services	Services excluding shelter
1962.....	1.2	1.0	0.9	0.4	1.5	0.8	-0.9	1.7	1.8
1963.....	1.7	1.2	1.8	0.8	1.9	-0.1	0.1	1.8	1.7
1964.....	1.8	1.9	1.2	0.9	1.5	1.3	-1.0	2.7	3.1
1965.....	2.5	2.3	1.7	1.2	2.2	1.6	-0.2	3.8	5.2
1966.....	3.7	2.9	3.9	2.1	4.9	2.6	-0.0	3.5	4.0
1967.....	3.6	4.4	2.5	3.6	1.8	2.8	2.8	5.3	6.0
1968.....	4.0	4.4	3.7	3.6	4.3	5.3	1.6	5.3	4.3
1969.....	4.5	4.6	3.1	2.6	3.8	3.5	1.0	6.7	6.5
1970.....	3.4	3.8	2.1	1.8	2.3	2.4	1.2	5.9	5.0
1971.....	2.8	3.5	1.8	2.2	2.0	3.1	1.6	5.0	4.2
1972.....	4.8	3.7	4.5	2.3	5.8	2.9	1.2	5.1	4.7
1973.....	7.6	5.1	8.8	4.0	11.6	5.3	1.4	6.2	4.8
1974.....	10.9	8.8	12.6	9.7	14.5	11.2	7.7	7.9	8.8
1975.....	10.8	10.0	10.9	9.4	12.9	12.9	7.7	10.7	13.2
1976.....	7.5	9.4	4.9	6.7	4.8	8.5	5.4	12.2	13.3
1977.....	8.0	7.9	7.4	6.7	8.1	7.7	5.1	9.0	9.0
1978.....	8.9	6.4	10.1	6.0	12.4	7.2	5.8	6.8	6.6
1979.....	9.2	7.9	10.6	9.1	11.2	8.9	9.6	7.0	8.1
1980.....	10.2	10.0	11.4	11.6	12.2	13.3	10.9	8.2	9.6
1981.....	12.5	12.8	13.1	13.6	15.9	20.1	9.5	11.5	12.1
1982.....	10.8	11.8	9.4	10.7	11.6	16.6	5.6	12.9	13.5
1983.....	5.8	6.4	5.4	6.3	6.3	8.9	4.0	6.5	6.1
1984.....	4.3	4.0	4.7	4.2	5.8	5.7	3.3	3.9	4.1
1985.....	4.0	4.2	3.9	4.5	4.6	6.3	3.0	3.9	4.4
1986.....	4.2	4.0	3.4	2.8	3.0	1.4	5.1	5.1	6.2
1987.....	4.4	4.4	4.1	3.9	4.4	4.4	3.1	4.7	4.3

Reference Table 46
Consumer Price Indexes: Standard Classification by Main Cities
 1971 - 1987
 (1981 = 100)

(1981 = 100)

Year	Nfld.	P.E.I.	N.S.	N.B.	Quebec		Ontario		Man.	Sask.		Alberta		British Columbia		
					Quebec	Montreal	Ottawa	Toronto		Thunder Bay	Winnipeg	Regina	Saskatoon	Edmonton	Calgary	Vancouver
	St. John's	Charlottetown/ Summer- side	Halifax	Saint John												
1971	39.3	—	43.1	41.9	42.8	42.7	43.2	42.5	42.7	42.4	42.7	43.4	41.9	42.3	41.8	—
1972	41.6	—	45.1	44.3	44.4	44.5	45.3	44.6	44.6	44.4	44.6	45.4	43.8	44.2	44.1	—
1973	45.6	—	48.8	48.0	47.9	47.8	48.9	48.1	47.9	47.4	47.6	48.3	47.2	47.2	47.3	—
1974	51.5	52.5	53.6	53.0	53.3	53.2	54.2	53.2	53.1	52.4	52.1	52.8	52.1	51.9	52.8	—
1975	57.4	58.4	59.0	59.1	58.8	59.0	59.4	58.9	59.1	58.9	57.6	58.8	57.7	57.8	58.6	—
1976	61.9	63.0	63.9	63.3	62.7	63.0	63.9	63.2	64.3	63.9	62.7	63.6	62.3	62.7	64.3	—
1977	66.6	68.0	68.9	68.0	68.2	68.2	69.1	68.1	69.3	69.1	68.8	69.0	68.0	68.0	68.9	—
1978	71.9	73.5	74.2	73.5	73.7	73.9	74.9	73.9	74.9	75.0	75.0	74.4	74.1	73.6	74.3	—
1979	79.0	79.8	80.8	80.4	80.5	80.6	81.6	80.7	81.5	81.8	81.3	81.0	80.7	80.0	80.0	—
1980	88.2	88.1	89.4	88.7	89.2	89.0	89.4	88.9	89.5	90.0	89.5	89.5	88.9	88.3	87.5	—
1981	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—
1982	110.0	109.5	109.6	109.4	112.2	111.6	109.9	111.3	110.4	108.8	109.0	109.0	110.8	112.0	110.5	—
1983	117.5	115.1	116.7	116.8	118.3	117.8	117.3	118.0	117.1	116.1	116.1	115.9	117.2	117.1	116.6	—
1984	122.7	120.0	121.9	122.8	122.7	122.7	123.2	123.7	122.8	120.3	121.1	120.0	120.4	120.0	121.3	—
1985	127.8	124.5	127.3	128.0	128.2	128.1	128.3	128.5	128.2	125.3	125.5	124.2	124.1	123.5	125.1	102.0
1986	131.6	127.0	131.7	132.4	134.5	134.3	133.4	134.6	132.6	130.9	128.2	129.3	128.3	127.8	129.3	103.9
1987	135.4	131.5	136.4	136.6	139.7	140.4	138.7	142.1	136.9	136.3	134.5	135.7	133.7	132.6	133.3	106.5

Source: Statistics Canada, *The Consumer Price Index* (62-001).

Reference Table 46.1
Change in Consumer Price Indexes: Standard Classification by Main Cities
 1972 - 1987
 (per cent)

Year	Nfld.	P.E.I.	N.S.	N.B.	Quebec		Ontario		Man.	Sask.	Alberta		British Columbia			
					Quebec	Montreal	Ottawa	Toronto			Thunder Bay	Winnipeg	Regina	Saskatoon	Edmonton	Calgary
	St. John's	Charlot- teton/ Summer- side	Halifax	Saint John	Quebec	Montreal	Ottawa	Toronto	Thunder Bay	Winnipeg	Regina	Saskatoon	Edmonton	Calgary	Vancouver	Victoria
1972	5.8	—	4.8	5.7	3.7	4.3	4.8	4.9	4.5	4.7	4.6	4.8	4.5	4.3	5.3	—
1973	9.6	—	8.0	8.3	7.8	7.2	8.0	7.9	7.4	6.7	6.7	6.2	7.7	6.9	7.3	—
1974	12.8	—	9.8	10.4	11.3	11.3	10.8	10.5	10.8	10.5	9.3	9.5	10.3	10.0	11.7	—
1975	11.5	11.4	10.1	11.4	10.3	10.9	9.7	10.7	11.3	12.4	10.5	11.2	10.9	11.3	11.1	—
1976	7.9	7.8	8.4	7.1	6.7	6.8	7.5	7.3	8.8	8.6	8.9	8.2	8.0	8.4	9.7	—
1977	7.5	8.1	7.7	7.6	8.7	8.3	8.2	7.8	7.8	8.1	9.7	8.6	9.1	8.4	7.2	—
1978	8.1	8.0	7.7	8.0	8.1	8.3	8.4	8.5	8.1	8.5	9.1	7.9	9.0	8.3	7.7	—
1979	9.8	8.6	8.9	9.3	9.2	9.1	8.8	9.3	8.8	9.1	8.4	8.8	9.0	8.7	7.7	—
1980	11.6	10.4	10.7	10.4	10.7	10.3	9.7	10.1	9.8	10.0	10.1	10.5	10.1	10.3	9.3	—
1981	13.4	13.5	11.8	12.8	12.2	12.4	11.8	12.5	11.8	11.2	11.7	11.7	12.5	13.3	14.3	—
1982	10.1	9.5	9.6	9.4	12.1	11.5	9.9	11.3	10.4	8.8	9.0	8.9	10.8	12.0	10.5	—
1983	6.7	5.1	6.5	6.8	5.5	5.6	6.7	6.1	6.1	6.7	6.4	6.3	5.8	4.5	5.5	—
1984	4.5	4.3	4.4	5.1	3.7	4.2	5.0	4.8	4.9	3.6	4.4	3.6	2.8	2.5	4.1	—
1985	4.2	3.7	4.5	4.3	4.5	4.4	4.1	3.9	4.4	4.1	3.7	3.5	3.1	2.9	3.1	—
1986	3.0	2.0	3.4	3.4	4.9	4.9	4.0	4.7	3.5	4.5	2.1	4.1	3.3	3.5	3.3	1.8
1987	2.9	3.5	3.5	3.2	3.9	4.5	4.0	5.6	3.2	4.2	5.0	4.9	4.2	3.8	3.1	2.5

Reference Table 47
Energy Prices
 1960 – 1987
 (1981 = 100)

Year	Consumer prices					Industrial electricity
	Gasoline	Natural gas	Electricity	Fuel oil	Total energy	(>5000kwh)
1960.....	24.3	27.5	32.4	17.9	—	—
1961.....	24.5	27.6	32.5	17.2	—	—
1962.....	24.4	27.8	32.2	16.9	—	—
1963.....	24.1	27.8	32.3	16.2	—	—
1964.....	25.2	27.8	32.2	15.4	—	—
1965.....	25.5	27.8	31.6	15.4	—	—
1966.....	26.6	27.7	31.6	15.4	—	—
1967.....	27.2	27.8	34.0	15.6	—	—
1968.....	28.2	28.2	35.6	16.3	—	—
1969.....	28.9	28.2	36.5	16.7	—	—
1970.....	29.6	27.8	39.6	17.1	—	—
1971.....	30.6	28.2	41.0	18.7	29.1	32.6
1972.....	30.9	28.4	42.1	19.9	29.9	32.9
1973.....	33.0	28.9	45.5	23.0	32.6	34.9
1974.....	38.4	31.8	47.3	29.7	37.6	38.9
1975.....	43.5	38.4	52.7	33.7	42.7	42.9
1976.....	48.9	49.5	61.2	39.2	49.2	50.1
1977.....	53.1	56.1	71.6	45.2	55.2	65.8
1978.....	56.0	66.6	77.4	51.6	60.4	73.1
1979.....	61.8	70.2	84.1	58.0	66.3	80.6
1980.....	73.5	78.5	91.9	69.7	76.9	91.0
1981.....	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	121.4	124.3	111.3	122.2	119.8	114.6
1983.....	128.8	136.8	121.0	134.7	129.1	125.0
1984.....	136.3	138.8	129.1	143.5	136.3	133.6
1985.....	144.4	139.8	135.3	155.9	143.9	139.7
1986.....	128.4	139.3	139.8	128.1	133.6	144.7
1987.....	134.5	136.2	145.7	121.7	137.1	148.8

Note: Data for total energy and industrial electricity are not published for the period prior to 1971.

Source: Statistics Canada, *The Consumer Price Index* (62-001); *Industry Price Indexes* (62-011).

Table 47.1
Change in Energy Prices
 1961 – 1987
 (per cent)

Year	Consumer prices					Industrial electricity
	Gasoline	Natural gas	Electricity	Fuel oil	Total energy	(>5000kwh)
1961.....	0.6	0.3	0.5	-3.9	—	—
1962.....	-0.2	0.8	-1.0	-1.8	—	—
1963.....	-1.4	0.0	0.3	-3.9	—	—
1964.....	4.5	0.0	-0.4	-5.1	—	—
1965.....	1.4	0.0	-1.7	-0.1	—	—
1966.....	4.3	-0.3	0.1	0.0	—	—
1967.....	2.3	0.2	7.3	1.6	—	—
1968.....	3.6	1.5	4.9	4.5	—	—
1969.....	2.5	0.0	2.5	2.2	—	—
1970.....	2.2	-1.4	8.5	2.1	—	—
1971.....	3.6	1.6	3.5	9.9	—	—
1972.....	0.8	0.5	2.7	6.1	2.9	1.0
1973.....	6.8	1.7	8.2	15.5	9.0	6.0
1974.....	16.6	10.1	3.8	29.5	15.2	11.3
1975.....	13.2	20.9	11.5	13.5	13.6	10.4
1976.....	12.4	28.9	16.1	16.1	15.4	16.7
1977.....	8.6	13.2	17.0	15.4	12.1	31.3
1978.....	5.6	18.8	8.1	14.1	9.3	11.2
1979.....	10.2	5.5	8.7	12.5	9.8	10.3
1980.....	19.0	11.8	9.2	20.1	16.0	12.9
1981.....	36.0	27.4	8.8	43.5	30.0	9.9
1982.....	21.4	24.3	11.4	22.2	19.8	14.6
1983.....	6.1	10.0	8.6	10.2	7.8	9.1
1984.....	5.9	1.4	6.8	6.5	5.5	6.9
1985.....	5.9	0.8	4.8	8.7	5.6	4.6
1986.....	-11.1	-0.4	3.3	-17.8	-7.1	3.6
1987.....	4.7	-2.2	4.3	-5.0	2.6	2.8

Reference Table 48
Other Price Indexes
 1961 – 1987
 (1981 = 100)

Year	World commodity prices ⁽¹⁾		Industrial product prices			Building materials		Merchandise export prices	Merchandise import prices	Terms of trade ⁽³⁾
	Total	Food	Total	Food	Non-food ⁽²⁾	Residential	Non-residential			
1961.....	—	—	30.2	27.3	31.0	—	29.5	30.9	38.1	81.3
1962.....	—	—	30.6	27.9	31.2	—	29.2	32.3	39.8	81.2
1963.....	—	—	31.0	29.0	31.5	—	30.0	32.5	40.8	79.5
1964.....	—	—	31.2	29.1	31.8	—	31.4	33.1	41.0	80.8
1965.....	—	—	31.6	29.4	32.2	—	32.8	33.5	40.9	82.0
1966.....	—	—	32.6	31.1	32.9	—	34.0	34.3	41.6	82.4
1967.....	—	—	33.2	31.3	33.7	—	34.7	34.6	42.1	82.2
1968.....	—	—	33.9	31.7	34.4	—	35.6	35.0	43.0	81.4
1969.....	—	—	35.2	33.4	35.6	—	37.1	35.6	43.9	80.9
1970.....	—	—	36.0	34.3	36.4	—	38.2	36.6	44.7	81.8
1971.....	—	—	36.7	35.4	37.0	42.3	39.5	36.4	45.3	80.3
1972.....	—	—	38.3	38.6	38.3	46.4	41.4	37.6	46.4	81.1
1973.....	—	—	42.6	47.2	41.6	52.5	44.7	43.1	49.8	86.4
1974.....	—	—	50.7	55.7	49.5	57.2	54.2	57.2	61.4	93.3
1975.....	—	—	56.4	61.3	55.3	59.1	58.0	63.0	70.7	89.1
1976.....	—	—	59.3	62.2	58.6	65.0	61.8	63.8	71.1	89.8
1977.....	—	—	64.0	66.5	63.4	69.9	65.4	67.4	78.3	86.1
1978.....	—	—	69.9	73.9	69.0	77.8	70.8	70.7	84.2	84.0
1979.....	—	—	80.0	83.3	79.3	87.6	82.4	83.6	91.6	91.2
1980.....	100.0	100.0	90.7	92.1	90.4	91.0	90.9	95.2	96.8	98.4
1981.....	89.9	96.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	80.6	82.1	106.7	104.3	107.0	104.2	106.3	100.4	103.6	96.9
1983.....	85.6	89.3	110.4	107.3	110.9	111.1	110.8	100.4	102.2	98.2
1984.....	87.4	88.6	115.4	113.3	115.7	114.9	115.1	104.1	106.9	97.4
1985.....	76.0	74.9	118.6	114.5	119.2	119.6	119.3	104.6	109.1	95.9
1986.....	73.1	65.9	119.6	119.0	119.6	129.3	125.9	101.5	108.4	93.7
1987.....	79.4	67.4	122.8	122.5	122.7	134.5	130.6	100.0	104.8	95.4

⁽¹⁾ International Monetary Fund Index.

⁽²⁾ The Industrial Product Price Index for non-food includes alcoholic beverages.

⁽³⁾ The index of the ratio of merchandise export prices to merchandise import prices.

Source: Statistics Canada, *Trade of Canada Exports* (65-004); *Trade of Canada Imports* (65-007); *Industry Price Indexes* (62-011); and *Construction Price Statistics* (62-007); The International Monetary Fund.

Table 48.1
Change in Other Price Indexes
 1962 – 1987
 (per cent)

Year	World commodity prices		Industrial product prices			Building materials		Merchandise export prices	Merchandise import prices	Terms of trade
	Total	Food	Total	Food	Non-food	Residential	Non-residential			
1962.....	—	—	1.3	2.2	0.8	—	–0.9	4.5	4.7	–0.1
1963.....	—	—	1.3	3.8	0.7	—	2.7	0.5	2.5	–2.0
1964.....	—	—	0.6	0.4	0.9	—	4.9	2.0	0.4	1.6
1965.....	—	—	1.3	1.1	1.4	—	4.5	1.2	–0.3	1.5
1966.....	—	—	3.2	5.8	2.1	—	3.5	2.3	1.9	0.4
1967.....	—	—	1.8	0.7	2.4	—	2.1	0.9	1.0	–0.1
1968.....	—	—	2.1	1.2	2.3	—	2.5	1.2	2.3	–1.1
1969.....	—	—	3.8	5.4	3.3	—	4.4	1.6	2.1	–0.5
1970.....	—	—	2.3	2.6	2.3	—	2.8	2.8	1.8	1.0
1971.....	—	—	1.9	3.1	1.7	—	3.4	–0.5	1.3	–1.9
1972.....	—	—	4.4	9.0	3.4	9.7	4.9	3.4	2.3	1.1
1973.....	—	—	11.2	22.5	8.6	13.1	7.8	14.6	7.5	6.5
1974.....	—	—	19.0	18.1	19.1	9.0	21.4	32.6	23.3	7.9
1975.....	—	—	11.2	10.0	11.6	3.3	7.1	10.1	15.1	–4.5
1976.....	—	—	5.1	1.4	6.1	10.0	6.5	1.3	0.5	0.8
1977.....	—	—	7.9	6.9	8.1	7.5	5.7	5.6	10.2	–4.1
1978.....	—	—	9.2	11.2	8.8	11.3	8.3	4.9	7.5	–2.5
1979.....	—	—	14.4	12.8	14.9	12.6	16.3	18.2	8.9	8.6
1980.....	—	—	13.4	10.6	14.1	3.9	10.4	14.0	5.7	7.9
1981.....	–10.1	–3.2	10.3	8.5	10.6	9.9	10.0	5.0	3.3	1.7
1982.....	–10.4	–15.2	6.7	4.3	7.0	4.2	6.3	0.5	3.6	–3.1
1983.....	6.2	8.7	3.5	2.9	3.6	6.7	4.2	–0.0	–1.4	1.3
1984.....	2.2	–0.7	4.5	5.6	4.3	3.4	3.9	3.7	4.6	–0.9
1985.....	–13.0	–15.5	2.8	1.1	3.0	4.1	3.6	0.5	2.0	–1.5
1986.....	–3.9	–12.1	0.8	3.9	0.3	8.1	5.5	–3.0	–0.6	–2.4
1987.....	8.6	2.3	2.7	2.9	2.6	4.1	3.7	–1.5	–3.3	1.9

Reference Table 49
Total Government Revenues
National Income and Expenditure Accounts Basis
1950 – 1987
(millions of dollars)

Year	Direct taxes, persons	Direct taxes, corporations	Withholding taxes	Indirect taxes	Transfers from persons	Investment income	Capital consumption allowances	Total CPP and QPP ⁽¹⁾	Total revenues ⁽²⁾
1950.....	915	993	54	2,129	62	280	201	—	4,634
1951.....	1,279	1,431	56	2,677	77	285	248	—	6,053
1952.....	1,588	1,403	55	2,901	82	368	265	—	6,662
1953.....	1,748	1,244	54	3,107	84	378	280	—	6,895
1954.....	1,776	1,115	58	3,131	73	373	293	—	6,819
1955.....	1,855	1,310	67	3,407	79	420	320	—	7,458
1956.....	2,127	1,443	69	3,858	97	537	365	—	8,496
1957.....	2,350	1,378	83	4,095	106	490	385	—	8,887
1958.....	2,214	1,350	48	4,186	124	542	404	—	8,868
1959.....	2,444	1,615	74	4,651	224	604	434	—	10,046
1960.....	2,794	1,588	79	4,901	234	649	465	—	10,710
1961.....	2,944	1,649	116	5,112	247	721	539	—	11,328
1962.....	3,180	1,753	125	5,757	256	795	579	—	12,445
1963.....	3,387	1,891	127	6,062	268	899	636	—	13,270
1964.....	3,917	2,101	140	6,826	309	982	683	—	14,958
1965.....	4,431	2,197	167	7,674	370	1,080	769	—	16,688
1966.....	5,792	2,355	204	8,592	393	1,226	865	724	19,427
1967.....	7,009	2,396	218	9,402	436	1,479	937	904	21,877
1968.....	8,244	2,852	209	10,200	600	1,752	994	1,040	24,851
1969.....	10,055	3,221	234	11,304	826	2,276	1,095	1,190	29,011
1970.....	11,547	3,070	269	11,925	1,059	2,724	1,206	1,327	31,800
1971.....	13,042	3,346	278	12,918	1,088	3,217	1,358	1,478	35,247
1972.....	14,631	3,920	287	14,616	1,016	3,739	1,495	1,657	39,704
1973.....	17,041	5,079	322	16,525	1,050	4,423	1,695	1,875	46,135
1974.....	21,257	7,051	430	20,663	1,107	6,009	2,117	2,313	58,634
1975.....	24,138	7,494	465	21,287	1,119	7,176	2,491	2,780	64,170
1976.....	28,431	7,128	504	24,666	1,457	8,446	2,795	3,282	73,427
1977.....	31,820	7,238	534	27,027	1,644	9,978	3,158	3,666	81,399
1978.....	33,723	8,188	582	28,836	1,974	12,467	3,523	4,231	89,293
1979.....	37,400	10,038	754	32,112	2,215	14,932	4,009	4,867	101,460
1980.....	42,803	12,078	995	35,505	2,434	17,940	4,553	5,670	116,308
1981.....	52,847	12,796	1,110	45,956	2,686	20,934	5,311	6,535	141,640
1982.....	58,943	11,755	1,178	48,248	3,033	22,309	5,881	7,808	151,347
1983.....	63,605	12,320	1,043	50,150	3,434	25,267	6,297	8,042	162,116
1984.....	68,223	14,984	1,100	54,957	3,670	28,182	6,773	9,016	177,889
1985.....	74,908	15,360	1,069	58,834	3,709	29,432	7,232	9,892	190,544
1986.....	84,895	14,786	1,675	64,046	3,935	28,901	7,643	10,729	205,881
1987.....	94,971	15,035	1,214	70,517	4,443	29,477	8,233	11,838	223,890

⁽¹⁾ Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) employer-employee contributions and investment income are included in total government direct taxes, persons, and investment income respectively.

⁽²⁾ Includes CPP and QPP. Excludes intergovernmental transfers.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 50
Total Government Expenditures
National Income and Expenditure Accounts Basis
1950 – 1987
(millions of dollars)

Year	Goods and services	National defence ⁽¹⁾	Transfers to persons	Interest on the public debt	Subsidies	Capital assistance	Transfer payments to non-residents	Total CPP and QPP ⁽²⁾	Gross capital formation	Total expenditures	Deficit (–) or surplus ⁽³⁾
1950.....	1,928	493	1,023	544	64	10	14	—	497	4,080	554
1951.....	2,811	1,157	1,024	609	129	13	21	—	620	5,227	826
1952.....	3,620	1,800	1,343	651	102	14	28	—	847	6,605	57
1953.....	3,824	1,907	1,449	620	113	14	37	—	755	6,812	83
1954.....	3,825	1,727	1,626	650	89	13	23	—	865	7,091	–272
1955.....	4,036	1,760	1,719	664	86	8	36	—	949	7,498	–40
1956.....	4,426	1,802	1,746	718	127	27	42	—	1,138	8,224	272
1957.....	4,573	1,765	2,052	774	120	29	52	—	1,306	8,906	–19
1958.....	4,854	1,661	2,605	826	150	18	67	—	1,426	9,946	–1,078
1959.....	4,976	1,559	2,721	1,023	250	22	85	—	1,570	10,647	–601
1960.....	5,281	1,546	3,090	1,093	314	17	74	—	1,511	11,380	–670
1961.....	6,166	1,611	2,724	1,184	345	25	77	—	1,682	12,203	–875
1962.....	6,567	1,675	2,928	1,316	388	48	60	—	1,900	13,207	–762
1963.....	6,923	1,558	3,000	1,431	434	93	89	—	1,973	13,943	–673
1964.....	7,526	1,565	3,200	1,546	469	112	95	—	1,968	14,916	42
1965.....	8,269	1,539	3,429	1,676	493	115	119	—	2,430	16,531	157
1966.....	9,643	1,689	3,759	1,862	674	91	195	15	2,842	19,066	361
1967.....	11,092	1,786	4,678	2,080	673	117	217	17	2,982	21,839	38
1968.....	12,685	1,797	5,461	2,390	680	123	170	37	3,013	24,522	329
1969.....	14,186	1,759	6,119	2,767	760	158	185	77	3,061	27,236	1,775
1970.....	16,448	1,825	6,981	3,252	830	173	244	134	3,160	31,088	712
1971.....	18,228	1,881	8,272	3,622	865	274	249	200	3,705	35,215	32
1972.....	20,136	1,889	9,935	4,137	989	308	279	284	3,968	39,752	–48
1973.....	22,851	2,131	11,213	4,788	1,214	377	318	406	4,255	45,016	1,119
1974.....	27,480	2,503	13,858	5,425	2,796	381	407	542	5,436	55,783	2,851
1975.....	33,266	2,754	17,054	6,538	4,200	530	592	777	6,274	68,454	–4,284
1976.....	38,274	3,152	19,464	8,101	3,674	635	542	1,099	6,286	76,976	–3,549
1977.....	43,411	3,622	22,191	9,268	3,839	728	638	1,428	6,784	86,859	–5,460
1978.....	47,386	3,986	25,000	11,589	4,017	780	1,013	1,782	7,141	96,926	–7,633
1979.....	52,286	4,129	26,435	13,810	5,477	829	767	2,174	7,399	107,003	–5,543
1980.....	59,250	4,795	30,466	16,790	8,233	1,077	817	2,667	8,292	124,925	–8,617
1981.....	68,792	5,516	34,958	22,268	9,499	1,231	875	3,285	9,242	146,865	–5,225
1982.....	78,655	6,654	43,629	27,072	9,340	3,168	1,063	4,022	10,588	173,515	–22,168
1983.....	84,571	7,102	49,947	29,419	10,015	4,660	1,194	4,861	10,350	190,156	–28,040
1984.....	89,089	8,049	53,536	34,752	12,243	4,129	1,571	5,776	11,410	206,730	–28,841
1985.....	95,700	9,439	58,112	40,287	11,658	3,832	1,643	6,717	12,841	224,073	–33,529
1986.....	100,468	9,424	62,017	42,683	10,221	3,592	1,796	7,619	12,518	233,295	–27,414
1987.....	106,490	9,612	67,359	45,209	12,506	2,516	2,169	9,522	12,759	249,008	–25,118

(¹) Included in goods and services.

(²) Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) benefit payments within Canada, administrative expenses and benefit payments abroad are included in transfers to persons, goods and services and transfer payments to non-residents respectively.

(³) Includes CPP and QPP. Excludes intergovernmental transfers.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 51
Federal Government Revenues
National Income and Expenditure Accounts Basis
1950 – 1987
(millions of dollars)

Year	Direct taxes, persons	Direct taxes, corporations	Withholding taxes	Indirect taxes	Transfers from persons	Investment income	Capital consumption allowances	Total revenues
1950.....	806	847	54	1,115	7	133	58	3,020
1951.....	1,158	1,242	56	1,494	6	143	66	4,165
1952.....	1,461	1,294	55	1,594	7	205	71	4,687
1953.....	1,613	1,168	54	1,697	2	200	75	4,809
1954.....	1,622	1,051	58	1,612	1	187	77	4,608
1955.....	1,647	1,248	67	1,743	1	220	82	5,008
1956.....	1,910	1,364	69	1,970	1	296	88	5,698
1957.....	2,105	1,170	83	1,989	2	230	93	5,672
1958.....	1,965	1,105	48	1,906	2	285	98	5,409
1959.....	2,183	1,340	74	2,120	2	316	104	6,139
1960.....	2,503	1,308	79	2,177	3	336	111	6,517
1961.....	2,629	1,345	116	2,188	2	377	122	6,779
1962.....	2,605	1,314	125	2,400	1	404	129	6,978
1963.....	2,730	1,412	127	2,449	2	465	137	7,322
1964.....	3,129	1,576	140	2,845	2	523	143	8,358
1965.....	3,332	1,652	167	3,245	3	543	155	9,097
1966.....	3,634	1,774	204	3,570	3	636	172	9,993
1967.....	4,305	1,758	218	3,705	3	747	187	10,923
1968.....	5,125	2,107	209	3,761	4	834	197	12,237
1969.....	6,503	2,402	234	4,028	2	1,118	213	14,500
1970.....	7,436	2,276	269	4,034	2	1,290	231	15,538
1971.....	8,299	2,477	278	4,480	4	1,472	259	17,269
1972.....	9,285	2,901	287	5,121	5	1,700	280	19,579
1973.....	10,861	3,643	322	5,837	6	1,836	311	22,816
1974.....	13,538	5,012	430	8,495	8	2,120	371	29,974
1975.....	15,231	5,380	465	7,970	8	2,323	440	31,817
1976.....	18,042	5,061	504	8,726	11	2,635	500	35,479
1977.....	18,042	5,135	534	9,227	13	3,144	572	36,667
1978.....	17,708	5,737	582	9,850	15	3,743	640	38,275
1979.....	20,252	6,860	754	10,768	17	4,031	726	43,408
1980.....	23,456	8,406	995	12,254	17	4,715	810	50,653
1981.....	29,215	9,323	1,110	18,986	15	5,433	923	65,005
1982.....	32,142	9,212	1,178	17,588	15	4,991	993	66,119
1983.....	35,479	9,536	1,043	16,303	16	6,201	1,056	69,634
1984.....	37,555	11,319	1,100	18,124	18	7,233	1,154	76,503
1985.....	42,697	11,438	1,069	18,897	22	7,658	1,267	83,048
1986.....	48,987	10,477	1,675	20,665	23	8,230	1,353	91,410
1987.....	53,937	10,468	1,214	23,259	24	8,793	1,466	99,161

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 52

Federal Government Expenditures**National Income and Expenditure Accounts Basis**

1950 – 1987

(millions of dollars)

Year	Goods and services	National defence ⁽¹⁾	Transfers to persons	Interest on the public debt	Subsidies	Capital assistance	Transfer payments to non-residents	Transfers to other levels of government	Gross capital formation	Total expenditures	Deficit (–) or surplus
1950.....	923	493	615	427	60	1	14	251	79	2,370	650
1951.....	1,634	1,157	580	486	124	21	259	90	3,194	971	
1952.....	2,315	1,800	975	515	96	2	28	368	193	4,492	195
1953.....	2,462	1,907	1,043	471	106	1	37	412	126	4,658	151
1954.....	2,316	1,727	1,165	482	84	1	23	430	153	4,654	–46
1955.....	2,364	1,760	1,229	487	75	3	36	450	162	4,806	202
1956.....	2,517	1,802	1,221	516	118	16	42	485	185	5,100	598
1957.....	2,513	1,765	1,460	531	108	20	52	521	217	5,422	250
1958.....	2,524	1,661	1,893	568	131	13	67	663	317	6,176	–767
1959.....	2,387	1,559	1,782	733	229	19	85	880	363	6,478	–339
1960.....	2,426	1,546	1,973	753	283	15	74	994	228	6,746	–229
1961.....	2,590	1,611	2,005	786	285	22	77	1,128	306	7,199	–420
1962.....	2,700	1,675	2,110	865	322	45	60	1,134	270	7,506	–528
1963.....	2,617	1,558	2,134	935	355	90	89	1,169	236	7,625	–303
1964.....	2,748	1,565	2,241	995	379	109	95	1,252	209	8,028	330
1965.....	2,835	1,539	2,311	1,052	372	109	119	1,431	351	8,580	517
1966.....	3,280	1,689	2,484	1,151	500	88	195	1,664	430	9,792	201
1967.....	3,577	1,786	2,918	1,245	519	99	217	1,992	464	11,031	–108
1968.....	3,904	1,797	3,295	1,409	522	101	170	2,372	500	12,273	–36
1969.....	4,231	1,759	3,598	1,589	555	136	185	2,726	486	13,506	994
1970.....	4,530	1,825	4,057	1,862	589	147	244	3,397	465	15,291	247
1971.....	4,940	1,881	4,684	1,974	513	220	249	4,323	505	17,408	–139
1972.....	5,382	1,889	6,186	2,253	596	244	277	4,558	613	20,109	–530
1973.....	6,026	2,131	7,008	2,518	738	278	315	4,807	692	22,382	434
1974.....	7,235	2,503	8,705	2,961	2,060	248	403	6,165	929	28,706	1,268
1975.....	8,380	2,754	10,620	3,705	3,294	320	588	7,670	1,063	35,640	–3,823
1976.....	9,677	3,152	11,533	4,519	2,502	418	537	8,522	1,108	38,816	–3,337
1977.....	11,176	3,622	13,089	5,101	2,364	539	630	9,967	1,144	44,010	–7,343
1978.....	11,997	3,986	14,647	6,410	2,401	610	1,003	10,875	1,186	49,129	–10,854
1979.....	12,718	4,129	14,657	8,080	3,332	606	756	11,754	888	52,791	–9,383
1980.....	13,901	4,795	16,470	9,897	5,646	775	804	12,831	992	61,316	–10,663
1981.....	16,484	5,516	18,684	13,739	6,634	900	859	14,087	933	72,320	–7,315
1982.....	18,858	6,654	24,380	16,675	5,777	2,553	1,043	15,844	1,270	86,400	–20,281
1983.....	19,555	7,102	28,079	17,412	5,662	3,599	1,170	17,637	1,513	94,627	–24,993
1984.....	21,130	8,049	29,699	20,897	7,473	3,369	1,543	19,905	2,511	106,527	–30,024
1985.....	23,452	9,439	31,738	24,620	6,368	2,984	1,609	21,746	2,216	114,733	–31,685
1986.....	24,141	9,424	33,191	26,107	4,804	2,448	1,756	21,089	1,943	115,479	–24,069
1987.....	24,543	9,612	34,499	27,741	7,037	1,867	2,118	22,698	2,031	122,534	–23,373

⁽¹⁾ Included in goods and services.Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 53
Federal Government Debt
Public Accounts Basis⁽¹⁾
(millions of dollars)

Year	Gross debt ⁽¹⁾	Net debt ⁽¹⁾	Unmatured debt ⁽¹⁾	Public debt charges ⁽²⁾	
				Gross	Net
1952	15,940	10,396	13,890	512	394
1957	16,491	11,446	13,188	508	301
1962	21,906	14,596	16,970	832	524
1963	23,321	15,429	18,085	915	603
1964	25,127	16,598	18,831	993	627
1965	26,204	16,913	19,063	1,050	627
1966	26,802	16,610	19,075	1,110	672
1967	28,225	16,797	19,668	1,182	663
1968	29,810	17,508	20,418	1,286	674
1969	32,020	17,908	21,856	1,464	769
1970	33,260	17,576	22,251	1,694	834
1971	37,114	18,356	24,995	1,887	887
1972	41,169	19,898	27,353	2,110	977
1973	44,693	21,573	29,133	2,300	1,035
1974	47,542	23,572	29,254	2,565	1,104
1975	52,866	25,581	33,144	3,238	1,436
1976	59,612	31,318	37,543	3,970	1,887
1977	67,323	37,615	42,553	4,708	2,298
1978	79,879	48,041	51,580	5,531	2,939
1979	96,957	60,658	66,544	7,024	3,965
1980	104,780	72,159	71,908	8,494	4,848
1981	120,446	85,681	83,002	10,658	6,343
1982	137,573	100,553	93,013	15,114	10,050
1983	166,203	128,369	116,319	16,903	12,287
1984	199,497	160,768	142,712	18,077	13,705
1985	237,112	199,092	172,514	22,455	18,203
1986	269,286	233,496	200,784	25,441	21,702
1987	302,744	264,101	226,815	26,658	22,424

⁽¹⁾ As at March 31 of each year. Unmatured debt figures are net of the government's holdings of its own debt. Data for gross debt and net debt for years prior to 1962 are not entirely consistent with those for later years due to changes in accounting practices. Revised data are available only from March 1962.

⁽²⁾ Fiscal year ended March 31.

Source: *Public Accounts of Canada*.

Reference Table 54
Federal Government Debt Relative to GDP
(per cent of GDP)⁽¹⁾

Year	Gross debt ⁽²⁾	Net debt ⁽²⁾	Unmatured debt ⁽²⁾	Public debt charges ⁽³⁾	
				Gross	Net
1952.....	63.3	41.3	55.2	2.0	1.6
1957.....	47.8	33.2	38.3	1.5	0.9
1962.....	49.3	32.9	38.2	1.9	1.2
1963.....	48.9	32.4	37.9	1.9	1.3
1964.....	48.1	31.8	36.1	1.9	1.2
1965.....	45.6	29.4	33.1	1.8	1.1
1966.....	41.6	25.8	29.6	1.7	1.0
1967.....	40.9	24.3	28.5	1.7	1.0
1968.....	39.5	23.2	27.1	1.7	0.9
1969.....	38.6	21.6	26.3	1.8	0.9
1970.....	37.3	19.7	25.0	1.9	0.9
1971.....	38.1	18.9	25.7	1.9	0.9
1972.....	37.9	18.3	25.2	1.9	0.9
1973.....	35.1	16.9	22.9	1.8	0.8
1974.....	31.3	15.5	19.2	1.7	0.7
1975.....	30.8	14.9	19.3	1.9	0.8
1976.....	30.1	15.8	19.0	2.0	1.0
1977.....	30.9	17.3	19.5	2.2	1.1
1978.....	33.1	19.9	21.3	2.3	1.2
1979.....	35.1	22.0	24.1	2.5	1.4
1980.....	33.8	23.3	23.2	2.7	1.6
1981.....	33.8	24.1	23.3	3.0	1.8
1982.....	36.7	26.9	24.8	4.0	2.7
1983.....	41.0	31.6	28.7	4.2	3.0
1984.....	44.9	36.1	32.1	4.1	3.1
1985.....	49.5	41.6	36.0	4.7	3.8
1986.....	53.2	46.1	39.6	5.0	4.3
1987.....	55.1	48.0	41.3	4.8	4.1

(1) Calculated using GDP of calendar year preceding the fiscal year-end.

(2) As at March 31 of each year. Unmatured debt figures are net of the government's holdings of its own debt. Data for gross debt and net debt for years prior to 1962 are not entirely consistent with those for later years due to changes in accounting practices. Revised data are available only from March 1962.

(3) Fiscal year ended March 31.

Source: *Public Accounts of Canada*.

Reference Table 55

Provincial Government Revenues**National Income and Expenditure Accounts Basis**

1950 – 1987

(millions of dollars)

Year	Direct taxes, persons	Direct taxes, corporations	Indirect taxes	Transfers from persons	Investment income	Transfers from other levels of government	Capital consumption allowances	Total revenues
1950.....	102	146	515	51	89	261	62	1,226
1951.....	121	189	575	60	117	270	80	1,412
1952.....	127	109	607	61	140	378	81	1,503
1953.....	135	76	652	64	154	424	83	1,588
1954.....	154	64	690	56	165	443	88	1,660
1955.....	208	62	762	59	186	465	100	1,842
1956.....	217	79	864	72	221	494	125	2,072
1957.....	245	208	958	78	240	533	129	2,391
1958.....	249	245	1,016	94	234	657	132	2,627
1959.....	261	275	1,087	191	264	880	143	3,101
1960.....	291	280	1,131	197	287	979	154	3,319
1961.....	315	304	1,270	211	296	1,110	161	3,667
1962.....	575	439	1,572	217	339	1,105	177	4,424
1963.....	657	479	1,713	225	371	1,134	199	4,778
1964.....	788	525	2,006	261	397	1,217	216	5,410
1965.....	1,099	545	2,265	313	467	1,379	256	6,324
1966.....	1,444	581	2,622	331	505	1,593	293	7,369
1967.....	1,855	638	3,019	367	590	1,951	310	8,730
1968.....	2,194	745	3,447	541	703	2,320	325	10,275
1969.....	2,545	819	3,933	776	859	2,678	355	11,965
1970.....	3,057	794	4,263	1,007	1,029	3,347	393	13,890
1971.....	3,640	869	4,566	1,031	1,211	4,274	432	16,023
1972.....	4,156	1,019	5,261	956	1,397	4,449	480	17,718
1973.....	4,875	1,436	6,198	984	1,818	4,734	560	20,605
1974.....	6,111	2,039	7,236	1,038	2,909	6,054	755	26,142
1975.....	7,001	2,114	7,547	1,046	3,694	7,577	890	29,869
1976.....	8,184	2,067	9,077	1,348	4,370	8,369	976	34,391
1977.....	11,365	2,103	10,039	1,521	5,201	9,665	1,090	40,984
1978.....	13,289	2,451	10,419	1,849	6,749	10,591	1,226	46,574
1979.....	14,061	3,178	11,912	2,056	8,438	11,515	1,383	52,543
1980.....	15,806	3,672	13,015	2,247	10,266	12,641	1,607	59,254
1981.....	19,661	3,473	15,311	2,475	11,728	13,955	1,917	68,520
1982.....	22,058	2,543	17,940	2,796	13,004	15,647	2,106	76,094
1983.....	23,540	2,784	20,258	3,184	14,477	17,295	2,268	83,806
1984.....	25,525	3,665	22,368	3,389	15,759	19,531	2,377	92,614
1985.....	26,515	3,922	24,462	3,415	16,151	21,332	2,508	98,305
1986.....	29,662	4,309	26,659	3,611	14,787	20,730	2,609	102,367
1987.....	33,924	4,567	29,364	4,081	14,604	22,343	2,795	111,678

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 56
Provincial Government Expenditures
National Income and Expenditure Accounts Basis
1950 – 1987
(millions of dollars)

Year	Goods and services	Transfers to persons	Interest on the public debt	Subsidies	Capital assistance	Transfers to other levels of government	Gross capital formation	Total expenditures	Deficit (–) or surplus
1950.....	391	384	75	4	9	171	196	1,230	– 4
1951.....	470	416	78	5	13	197	229	1,408	4
1952.....	502	334	83	6	12	215	290	1,442	61
1953.....	498	368	88	7	13	242	265	1,481	107
1954.....	519	417	94	5	12	259	301	1,607	53
1955.....	578	449	93	11	5	327	351	1,814	28
1956.....	688	485	101	9	11	362	460	2,116	– 44
1957.....	703	547	116	12	9	452	536	2,375	16
1958.....	816	658	115	19	5	545	519	2,677	– 50
1959.....	907	874	121	21	3	622	566	3,114	– 13
1960.....	986	1,044	143	31	2	714	612	3,532	– 213
1961.....	1,043	640	160	36	3	1,520	546	3,948	– 281
1962.....	1,066	734	184	39	3	1,829	625	4,480	– 56
1963.....	1,214	778	212	46	3	1,965	659	4,877	– 99
1964.....	1,326	870	238	57	3	2,221	776	5,491	– 81
1965.....	1,503	1,024	271	85	6	2,560	875	6,324	0
1966.....	1,884	1,173	317	139	3	3,041	986	7,543	– 174
1967.....	2,353	1,647	385	118	18	3,506	1,046	9,073	– 343
1968.....	2,798	2,003	485	119	22	3,958	958	10,343	– 68
1969.....	3,084	2,310	638	148	22	4,434	1,025	11,661	304
1970.....	4,158	2,588	761	173	26	5,394	1,046	14,146	– 256
1971.....	4,726	3,134	920	268	54	5,999	1,409	16,510	– 487
1972.....	5,340	3,227	1,127	303	64	6,823	1,556	18,440	– 722
1973.....	6,115	3,554	1,404	370	99	7,540	1,637	20,719	– 114
1974.....	7,581	4,402	1,545	601	133	9,100	2,069	25,431	711
1975.....	9,661	5,410	1,839	747	210	11,284	2,418	31,569	– 1,700
1976.....	10,839	6,568	2,327	987	217	12,724	2,182	35,844	– 1,453
1977.....	12,541	7,416	2,690	1,254	189	15,083	2,384	41,557	– 573
1978.....	14,031	8,274	3,452	1,350	170	15,626	2,653	45,556	1,018
1979.....	16,075	9,276	3,902	1,854	223	18,279	2,940	52,549	– 6
1980.....	18,877	10,950	4,828	2,175	302	19,512	3,162	59,806	– 552
1981.....	21,860	12,596	6,185	2,452	331	22,496	3,676	69,596	– 1,076
1982.....	24,938	14,749	7,765	3,025	615	26,581	4,092	81,765	– 5,671
1983.....	27,651	16,409	9,045	3,817	1,061	28,427	3,660	90,070	– 6,264
1984.....	28,107	17,426	10,694	4,184	760	29,449	3,762	94,382	– 1,768
1985.....	30,513	18,999	12,201	4,687	848	31,451	4,720	103,419	– 5,114
1986.....	32,263	20,454	12,899	4,754	1,144	33,794	4,515	109,823	– 7,456
1987.....	34,908	22,541	13,817	4,784	649	36,641	4,316	117,656	– 5,978

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 57

Local Government Revenues**National Income and Expenditure Accounts Basis**

1950 – 1987

(millions of dollars)

Year	Indirect taxes	Investment income	Transfers from persons	Transfers from other levels of government	Capital consumption allowances	Total revenues
1950.....	499	58	4	172	81	821
1951.....	608	25	11	199	102	945
1952.....	700	23	14	218	113	1,068
1953.....	758	24	18	245	122	1,167
1954.....	829	21	16	261	128	1,255
1955.....	902	14	19	334	138	1,407
1956.....	1,024	20	24	371	152	1,591
1957.....	1,148	20	26	468	163	1,825
1958.....	1,264	23	28	568	174	2,057
1959.....	1,444	24	31	646	187	2,332
1960.....	1,593	26	34	746	200	2,599
1961.....	1,654	46	32	859	208	2,799
1962.....	1,785	49	35	1,091	223	3,183
1963.....	1,900	59	38	1,181	245	3,423
1964.....	1,975	58	43	1,321	264	3,661
1965.....	2,164	66	51	1,514	292	4,087
1966.....	2,400	70	56	1,868	329	4,723
1967.....	2,678	82	63	2,082	362	5,267
1968.....	2,992	95	52	2,300	387	5,826
1969.....	3,343	110	44	2,534	431	6,462
1970.....	3,628	125	46	3,180	476	7,455
1971.....	3,872	152	49	3,583	550	8,206
1972.....	4,234	166	51	4,069	607	9,127
1973.....	4,490	190	56	4,501	681	9,918
1974.....	4,932	260	57	5,307	820	11,376
1975.....	5,770	270	61	6,699	960	13,760
1976.....	6,863	334	76	7,356	1,096	15,725
1977.....	7,761	343	85	9,153	1,243	18,585
1978.....	8,567	428	88	9,366	1,380	19,829
1979.....	9,432	626	112	11,310	1,579	23,059
1980.....	10,236	764	136	11,325	1,772	24,233
1981.....	11,659	1,117	154	13,205	2,025	28,160
1982.....	12,720	1,148	166	15,384	2,266	31,684
1983.....	13,589	1,044	175	16,366	2,407	33,581
1984.....	14,465	1,219	192	16,434	2,617	34,927
1985.....	15,475	1,322	188	17,526	2,769	37,280
1986.....	16,722	1,299	200	19,105	2,924	40,250
1987.....	17,894	1,254	225	20,756	3,143	43,272

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 58

Local Government Expenditures**National Income and Expenditure Accounts Basis**

1950 – 1987

(millions of dollars)

Year	Goods and services	Transfers to persons	Transfers to business	Interest on the public debt	Transfers to other levels of government	Gross capital formation	Total expenditures	Deficit (–) or surplus
1950.....	614	24	0	42	11	222	913	–92
1951.....	707	28	0	45	13	301	1,094	–149
1952.....	803	34	0	53	13	364	1,267	–199
1953.....	864	38	0	61	15	364	1,342	–175
1954.....	990	44	0	74	15	411	1,534	–279
1955.....	1,094	41	0	84	22	436	1,677	–270
1956.....	1,221	40	0	101	18	493	1,873	–282
1957.....	1,357	45	0	127	28	553	2,110	–285
1958.....	1,514	54	0	143	17	590	2,318	–261
1959.....	1,682	65	0	169	24	641	2,581	–249
1960.....	1,869	73	0	197	17	671	2,827	–228
1961.....	1,917	79	24	223	34	680	2,957	–158
1962.....	2,115	84	27	251	28	847	3,352	–169
1963.....	2,308	88	33	266	33	926	3,654	–231
1964.....	2,563	89	33	294	31	834	3,844	–183
1965.....	2,923	94	36	334	37	1,054	4,478	–391
1966.....	3,288	102	35	373	51	1,235	5,084	–361
1967.....	3,758	113	36	429	70	1,274	5,680	–413
1968.....	4,334	148	39	474	64	1,338	6,397	–571
1969.....	4,968	160	57	516	66	1,337	7,104	–642
1970.....	5,594	232	68	595	64	1,425	7,978	–523
1971.....	6,132	282	84	695	64	1,550	8,807	–601
1972.....	6,700	274	90	721	69	1,576	9,430	–303
1973.....	7,624	285	106	825	60	1,671	10,571	–653
1974.....	8,840	256	135	873	61	2,145	12,310	–934
1975.....	10,589	303	159	943	70	2,485	14,549	–789
1976.....	12,454	327	185	1,194	71	2,650	16,881	–1,156
1977.....	14,072	330	221	1,411	70	2,910	19,014	–429
1978.....	15,101	378	266	1,663	84	2,897	20,389	–560
1979.....	16,617	413	291	1,752	116	3,183	22,372	687
1980.....	18,402	479	412	1,983	129	3,636	25,041	–808
1981.....	20,949	529	413	2,236	205	4,049	28,381	–221
1982.....	23,845	621	538	2,511	156	4,532	32,203	–519
1983.....	25,348	752	536	2,825	165	4,290	33,916	–335
1984.....	26,866	812	586	3,015	149	4,239	35,667	–740
1985.....	28,071	858	603	3,306	112	5,076	38,026	–746
1986.....	29,593	950	663	3,507	186	5,088	39,987	263
1987.....	31,497	1,045	685	3,481	245	5,421	42,374	898

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 59

Hospital Revenues and Expenditures**National Income and Expenditure Accounts Basis**

1961 – 1987

(millions of dollars)

Year	Revenues					Expenditures				
	Invest- ment income	Transfers from other levels of govern- ment	Trans- fers from persons	Capital consump- tion allow- ances	Total revenues	Goods and services	Interest on the public debt	Gross capital forma- tion	Total expendi- tures	Deficit(–) or surplus
1961.....	2	713	2	48	765	616	15	150	781	– 16
1962.....	3	795	3	50	851	686	16	158	860	– 9
1963.....	4	852	3	55	914	784	18	152	954	– 40
1964.....	4	966	3	60	1,033	889	19	149	1,057	– 24
1965.....	4	1,135	3	66	1,208	1,008	19	150	1,177	31
1966.....	5	1,295	3	71	1,374	1,176	21	191	1,388	– 14
1967.....	5	1,535	3	78	1,621	1,387	21	198	1,606	15
1968.....	5	1,774	3	85	1,867	1,627	22	217	1,866	1
1969.....	6	2,014	4	96	2,120	1,877	24	213	2,114	6
1970.....	7	2,328	4	106	2,445	2,136	34	224	2,394	51
1971.....	7	2,529	4	117	2,657	2,402	33	241	2,676	– 19
1972.....	9	2,932	4	128	3,073	2,680	36	223	2,939	134
1973.....	9	3,172	4	143	3,328	3,049	41	255	3,345	– 17
1974.....	15	3,965	4	171	4,155	3,781	46	293	4,120	35
1975.....	15	4,748	4	201	4,968	4,584	51	308	4,943	25
1976.....	30	5,592	22	223	5,867	5,246	61	346	5,653	214
1977.....	37	6,302	25	253	6,617	5,558	66	346	5,970	647
1978.....	42	6,628	22	277	6,969	6,186	64	405	6,655	314
1979.....	57	7,324	30	321	7,732	6,802	76	388	7,266	466
1980.....	66	8,506	34	364	8,970	7,983	82	502	8,567	403
1981.....	92	9,628	42	446	10,208	9,379	108	584	10,071	137
1982.....	101	11,550	56	516	12,223	10,891	121	694	11,706	517
1983.....	89	12,568	59	566	13,282	11,887	137	887	12,911	371
1984.....	98	13,538	71	625	14,332	12,837	146	898	13,881	451
1985.....	105	14,451	84	688	15,328	13,498	160	829	14,487	841
1986.....	102	15,234	101	757	16,194	14,314	170	972	15,456	738
1987.....	98	16,485	113	829	17,525	15,345	170	991	16,506	1,019

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001).

Reference Table 60
**Federal Government
Liabilities and Assets**
Financial Flow Accounts Basis
1975 – 1986
(millions of dollars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Liabilities												
Currency and deposits	773	821	882	962	1,050	1,111	1,169	1,356	1,282	1,350	1,423	1,484
Payables	268	245	297	352	390	404	413	395	390	394	400	443
Loans	262	250	253	3,814	2,072	2,817	1,767	1,349	1,460	2,389	5,182	4,026
Pensions ⁽¹⁾	1,197	1,173	1,187	1,162	1,149	1,136	1,117	1,097	1,072	1,046	1,013	980
Claims by associated enterprises	313	331	1,079	883	990	1,262	826	950	1,037	1,121	1,557	1,872
Other liabilities	3,860	3,965	3,567	4,342	4,892	6,679	8,910	9,371	9,035	13,107	15,057	17,741
Other liabilities	37,280	41,468	49,601	60,314	68,182	80,152	92,707	112,255	140,061	163,578	194,266	218,205
Unmatured debt	43,953	48,253	56,866	71,829	78,725	93,561	106,909	126,773	154,337	182,985	218,898	244,751
Total liabilities												
Financial assets												
Currency and deposits	3,494	2,671	4,020	5,985	1,709	3,453	6,761	6,021	5,813	2,012	3,960	2,227
Receivables	52	55	77	105	153	192	150	187	191	121	143	120
Loans	5,083	5,493	6,095	6,570	7,243	7,701	7,961	8,462	9,388	10,303	11,265	12,158
Finance and other short-term paper	18	18	26	18	6	11	14	21	23	23	27	39
Mortgages	554	519	479	427	377	337	300	263	240	204	171	147
Bonds and treasury bills	20	31	25	19	162	85	102	114	135	323	225	101
Federal government	14	12	14	16	17	14	16	16	18	18	35	17
Provincial government	—	—	—	—	—	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—	—	—	—	—	—
Other	39	37	36	29	30	34	34	30	29	29	29	27
Claims on associated enterprises	22,280	23,974	25,624	27,264	28,376	30,811	32,511	31,229	34,325	34,155	34,675	34,074
Stocks	187	64	58	58	54	55	378	506	512	806	1,135	1,221
Foreign investments	6	5	4	3	5	9	8	9	10	10	12	22
Other financial assets	2,899	2,333	1,853	2,570	3,253	4,122	4,622	4,455	4,083	5,230	4,650	3,876
Total financial assets	34,646	35,212	38,311	43,064	41,385	46,824	52,857	51,313	54,767	53,234	56,327	54,029
Non-financial assets												
Non-residential structures	10,859	11,642	12,481	13,425	14,565	16,127	18,218	19,549	20,149	20,957	21,875	22,807
Machinery and equipment	1,937	2,184	2,534	2,941	3,318	3,788	4,466	4,900	5,362	6,324	7,028	7,679
Inventories	184	225	268	326	386	455	250	319	274	294	230	195
Land	2,335	2,532	2,746	2,987	3,277	3,669	4,190	4,545	4,735	4,977	5,250	5,474
Total non-financial assets	15,315	16,583	18,029	19,679	21,546	24,039	27,124	29,313	30,520	32,552	34,383	36,155
Total assets	49,961	51,795	56,340	62,743	62,931	70,863	79,981	80,626	85,287	85,786	90,710	90,184
Excess of total assets over liabilities	6,008	3,542	-526	-9,086	-15,794	-22,698	-26,928	-46,147	-69,050	-97,199	-128,188	-154,567

⁽¹⁾ This mainly represents the balance in government annuities.

Source: Statistics Canada, *Financial Flow Accounts* (13-002).

Reference Table 61
Provincial and Local Government and Hospitals

Liabilities and Assets
Financial Flow Accounts Basis

1975 - 1986

(millions of dollars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Liabilities												
Payables.....	1,105	954	1,055	1,269	1,983	2,234	3,521	4,955	5,925	6,343	6,682	6,755
Loans.....	4,626	4,730	4,994	5,537	6,731	7,593	10,230	10,076	10,284	11,212	11,785	10,732
Finance and other short-term paper.....	634	318	297	505	300	747	1,370	3,392	4,658	6,130	6,196	11,155
Mortgages.....	187	136	57	38	49	47	79	80	81	82	80	80
Claims by associated enterprises.....	443	580	491	548	735	943	1,203	1,521	1,695	1,898	1,898	2,143
Other liabilities.....	2,711	3,713	4,119	4,405	4,734	4,811	6,041	5,035	6,153	6,636	10,301	9,093
Unmatured debt												
Provincial governments.....	23,451	27,219	31,738	39,158	42,747	48,798	53,850	64,486	72,921	81,474	92,278	105,379
Municipal governments.....	13,878	15,219	17,243	19,578	19,597	21,113	20,858	22,761	24,073	24,841	26,163	26,322
Other.....	557	545	594	605	576	583	570	686	658	691	647	625
Total liabilities.....	47,592	53,414	60,588	71,643	77,452	86,969	97,722	112,992	126,448	139,307	156,030	172,284
Financial assets												
Currency and deposits.....	1,953	2,797	3,945	4,613	5,872	6,286	5,823	6,790	7,183	8,821	8,368	10,480
Receivables.....	525	659	618	593	506	541	1,090	1,377	1,617	1,833	2,039	2,251
Loans.....	2,567	2,810	2,631	2,750	2,761	3,076	3,539	3,627	3,912	3,683	3,627	3,800
Finance and other short-term paper.....	85	163	463	597	635	678	2,558	1,605	1,878	3,938	4,829	4,182
Mortgages.....	1,922	2,281	2,545	2,781	2,834	2,942	3,259	3,692	3,840	3,873	3,868	3,780
Bonds and treasury bills												
Federal government.....	214	253	399	884	1,554	2,306	2,655	2,946	3,484	3,954	4,823	5,037
Provincial government.....	3,248	3,921	4,989	8,070	9,364	11,453	12,412	15,489	15,704	15,909	16,214	17,861
Municipal bonds.....	4,847	5,422	5,974	6,579	6,860	7,292	8,842	10,026	10,562	10,908	11,015	10,691
Other.....	476	744	1,057	1,153	1,080	1,169	1,373	1,642	2,079	2,156	2,166	2,308
Claims on associated enterprises.....	11,377	12,485	15,117	17,894	20,490	23,293	28,404	31,859	34,615	38,689	40,768	40,718
Stocks.....	229	252	216	254	229	237	810	1,371	1,859	2,239	2,373	2,540
Other financial assets.....	3,851	3,449	3,587	5,049	5,491	7,380	16,857	12,928	14,179	15,313	17,417	16,364
Total financial assets.....	31,294	35,335	41,749	51,616	58,225	68,080	88,628	94,265	101,923	113,812	120,933	124,137
Non-financial assets												
Residential structures.....	30	67	99	207	313	444	539	632	699	766	839	909
Non-residential structures.....	71,009	77,657	85,195	93,773	105,215	120,676	140,671	155,260	164,894	174,868	182,432	189,154
Machinery and equipment.....	3,036	3,309	3,808	4,323	4,893	5,547	6,441	7,284	7,753	8,472	9,343	10,039
Land.....	15,275	16,909	18,771	20,923	23,763	27,581	32,510	36,283	38,955	41,759	44,036	45,669
Total non-financial assets.....	89,350	107,873	119,226	134,184	154,248	180,161	199,459	212,301	225,865	236,650	245,771	245,771
Total assets.....	120,644	133,277	149,622	170,842	192,409	222,328	268,789	293,724	314,224	339,677	357,583	369,908
Excess of total assets over liabilities.....	73,052	79,863	89,034	99,199	114,957	135,359	171,067	180,732	187,776	200,370	201,553	197,624

Source: Statistics Canada, *Financial Flow Accounts* (13-002).

Reference Table 62
Government of Canada
Statement of Financial Transactions
(Fiscal year ended March 31)
1978 – 1987
Summary⁽¹⁾
(millions of dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
I Budgetary transactions										
Revenues.....	34,518	36,866	41,921	48,775	60,001	60,705	64,211	70,891	76,830	85,783
Expenditures.....	-44,944	-49,483	-53,422	-62,297	-74,873	-88,521	-96,610	-109,215	-111,234	-116,388
Surplus or deficit (-).....	-10,426	-12,617	-11,501	-13,522	-14,872	-27,816	-32,399	-38,324	-34,404	-30,605
II Non-budgetary transactions										
Loans, investments and advances.....	-1,422	-713	-1,086	-169	-1,506	-502	-464	709	41	1,386
Specific purpose accounts.....	2,395	2,513	2,289	3,254	4,063	2,817	4,591	5,124	5,438	6,696
Other transactions.....	1,004	-395	166	543	3,069	1,699	3,071	2,683	-1,345	956
Net source or requirement (-).....	1,977	1,405	1,369	3,628	5,626	4,014	7,198	8,516	4,134	9,038
Financial requirements (excluding foreign exchange).....	-8,449	-11,212	-10,132	-9,894	-9,246	-23,802	-25,201	-29,808	-30,270	-21,567
III Foreign exchange transactions...	1,186	4,361	-443	927	558	-640	414	2,423	5,626	-6,390
Total financial requirements ⁽²⁾	-7,263	-6,851	-10,575	-8,967	-24,442	-24,787	-27,385	-24,644	-24,648	-27,957
IV Unmatured debt transactions ⁽³⁾ ..	8,172	8,778	8,780	11,160	9,377	22,401	26,620	26,831	23,530	27,831
V Change in cash balance ⁽⁴⁾	909	1,927	-2,695	2,193	689	-2,041	1,833	-554	-1,114	-126
Level of cash balance at end of period.....	4,506	6,433	3,738	5,931	6,620	4,579	6,412	5,858	4,744	4,618
Canadian dollar balance.....	4,487	6,374	3,661	5,826	6,541	4,193	6,329	5,779	4,566	4,479

⁽¹⁾ The Post Office is treated as a Crown Corporation.

⁽²⁾ Cash requirement (-).

⁽³⁾ Excluding change in unmatured debt outstanding payable in foreign currency.

⁽⁴⁾ Cash decrease (-).

Source: Public Accounts of Canada and Department of Finance.

Reference Table 62 (continued)
Government of Canada
Statement of Financial Transactions
(Fiscal year ended March 31)
1982 – 1987
(millions of dollars)

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
I Budgetary transactions						
A Revenues						
Personal income tax.....	24,046	26,330	26,967	29,254	33,008	37,878
Corporate income tax.....	8,118	7,139	7,286	9,379	9,210	9,885
Unemployment insurance contributions.....	4,753	4,900	7,259	7,553	8,719	9,558
Non-resident tax.....	1,018	998	908	1,021	1,053	1,355
Excise taxes and duties.....	11,322	10,629	12,047	13,698	16,143	19,048
Energy taxes.....	4,521	5,147	4,168	4,479	3,348	1,965
Other taxes.....	120	132	126	107	126	180
Return on investments.....	5,064	4,616	4,372	4,252	3,739	4,234
Other non-tax revenue.....	1,039	814	1,078	1,148	1,484	1,680
Total revenues.....	60,001	60,705	64,211	70,891	76,830	85,783
B Expenditures						
Economic and regional development.....	9,801	11,577	12,059	14,844	11,818	11,792
Social development						
Old age security benefits.....	8,585	9,643	10,406	11,418	12,525	13,445
Unemployment insurance benefits.....	5,446	9,823	9,782	10,052	10,036	10,444
Established programs financing.....	5,911	5,592	7,629	8,595	8,677	8,839
Canada Assistance Plan.....	2,298	2,832	3,288	3,745	3,916	4,051
Other.....	11,552	14,434	15,531	16,729	16,665	17,790
Sub-total.....	33,792	42,324	46,636	50,539	51,819	54,569
Fiscal arrangements.....	4,750	5,597	5,977	5,985	5,941	6,302
External affairs.....	1,814	2,050	2,373	2,646	2,490	2,892
Defence.....	5,989	6,938	7,843	8,762	9,094	10,006
Parliament.....	153	169	180	196	198	207
Services to government.....	3,460	2,963	3,465	3,788	4,433	3,962
Sub-total.....	59,759	71,618	78,533	86,760	85,793	89,730
Public debt.....	15,114	16,903	18,077	22,455	25,441	26,658
Total expenditures.....	74,873	88,521	96,610	109,215	111,234	116,388
Budgetary surplus or deficit (–).....	– 14,872	– 27,816	– 32,399	– 38,324	– 34,404	– 30,605

Reference Table 62 (continued)
Government of Canada
Statement of Financial Transactions
(Fiscal year ended March 31)
1977 - 1987
(millions of dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
II Non-budgetary transactions											
A Loans, investments and advances											
Crown corporations and agencies											
Lending institutions											
Canada Deposit Insurance Corporation	0	10	-341	16	13	14	16	17	18	-895	-268
Canada Mortgage and Housing Corporation	-837	-532	-52	-366	0	-200	60	140	-40	364	254
Export Development Corporation	-202	-84	64	-44	19	-199	-30	194	39	64	49
Farm Credit Corporation	-277	-297	-267	-307	-270	-348	-394	-5	172	214	591
Federal Business Development Bank	307	-241	-267	-245	101	125	145	172	157	119	93
Sub-total	1,623	-1,144	-522	-962	-216	-570	-259	122	692	-303	719
Other Crown corporations											
Air Canada	83	3	-341	16	13	14	16	17	18	32	20
Atomic Energy of Canada	149	-201	-242	-216	697	8	3	37	38	67	19
Canadian National Railways	-40	-99	385	-108	-8	0	-41	-62	2	9	352
Canada Development Investment Corporation	0	0	0	0	0	0	-308	5	18	0	0
Petro Canada	-257	-150	-280	-80	-440	-840	-1,354	-680	0	0	0
Other	-30	124	-11	15	275	-359	101	130	-28	107	-186
Sub-total	-393	-323	-489	-373	537	-1,177	-1,583	-533	48	215	205
Other loans											
Finance-employment loans	45	14	8	8	8	9	9	10	10	10	11
Regional Economic Expansion	-17	4	-2	8	7	14	14	13	13	12	16
Canada Development Corporation	-10	0	0	0	0	0	0	0	0	0	229
Loans to developing countries	-162	-198	-239	-242	-254	-282	-266	-182	-201	-178	59
International organizations	-159	-179	-173	-134	-110	-166	-213	-335	-378	-220	46
Other	-12	-43	71	56	235	22	-32	-96	-174	205	101
Sub-total	-315	-402	-335	-304	-114	-403	-576	-562	-730	-171	462
Total loans, investments and advances not including allowances	-2,331	-1,869	-1,346	-1,639	207	-2,150	-2,418	-973	10	-259	1,386
Allowance for valuation	492	447	633	553	-376	644	1,916	509	699	300	0
Total loans, investments and advances	-1,839	-1,422	-713	-1,086	-169	-1,506	-502	-464	709	41	1,386
B Specified purpose accounts											
Canada Pension Plan	98	93	124	113	173	170	165	152	211	511	1,556
Superannuation accounts	1,656	1,888	1,956	1,966	2,307	3,014	3,483	3,862	4,302	4,680	4,995
Government annuities	-1	-9	-10	-14	-15	-21	-22	-26	-29	-35	-36
Other	10	15	17	28	29	47	48	62	72	96	110
Total annuity, insurance and pension accounts	1,763	1,987	2,087	2,093	2,494	3,210	3,674	4,050	4,556	5,252	6,625
Provincial tax collection account	-121	330	366	118	728	-56	-384	277	309	-227	57
Deposit and trust accounts	-13	78	60	78	32	909	-473	264	259	413	14
Total specified purpose accounts	1,629	2,395	2,513	2,289	3,254	4,063	2,817	4,591	5,124	5,438	6,696

Reference Table 62 (continued)
Government of Canada
Statement of Financial Transactions
(Fiscal year ended March 31)
1978 – 1987
(millions of dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
C Other transactions										
Interest and matured debt.....	904	-509	-38	186	1,933	1,615	884	796	-334	-20
Accounts payable and accrued salaries.....	-521	214	91	772	178	549	866	1,249	-663	433
Cash in transit.....	-188	3	-130	-693	16	-736	689	-6	189	225
Outstanding cheques warrants and money orders.....	632	-243	506	9	29	208	516	376	-488	-64
Other.....	177	140	-263	119	913	63	116	268	-49	382
Total other transactions.....	1,004	-395	166	393	3,069	1,699	3,071	2,683	-1,345	956
Total non-budgetary requirements.....	1,977	1,405	1,369	3,628	5,626	4,014	7,198	8,516	4,134	9,038
III Foreign exchange transactions										
Source or requirement (-)										
Exchange Fund Account.....	248	-2,276	1,828	1,033	-185	-1,613	1,013	-588	752	-4,753
International Monetary Fund										
Subscriptions.....	-310	-482	-7	-930	181	64	-1,279	10	-685	-266
Notes payable.....	260	690	39	715	-2	-44	961	32	637	359
Unmatured debt payable in foreign currency.....	855	6,186	-2,516	-66	634	977	-299	2,971	4,740	-1,800
Special Drawing Rights.....	133	243	213	175	-70	-24	18	-2	182	70
Total foreign exchange transactions.....	1,186	4,361	-443	927	558	-640	414	2,423	5,626	-6,390
IV Unmatured debt transactions										
Increase or decrease (-)										
Marketable bonds.....	3,439	8,146	6,417	7,834	3,000	4,989	7,281	12,379	15,584	13,337
Treasury bills.....	3,040	2,240	2,790	5,445	-2,395	9,750	12,575	10,600	9,650	15,000
Canada Savings Bonds.....	1,707	1,236	-1,166	-2,269	9,166	7,663	5,563	3,756	2,285	-667
Securities issued to Canada Pension Plan.....	12	12	17	23	18	17	18	16	240	1,351
Notes and loans payable in foreign currencies.....	850	3,390	-2,528	-5	268	863	1,085	2,987	861	-1,778
Less:										
Unmatured debt payable in foreign currency.....	-855	-6,186	2,516	66	-634	-977	299	-2,971	-4,740	1,800
Canada Savings Bonds held for employees.....	-7	-15	-4	6	-14	3	-11	-42	27	-36
Securities issued to Canada Pension Plan.....	-12	-12	-17	-23	-18	-17	-18	-16	-240	-1,351
Securities investment account.....	-2	-33	-145	83	-14	110	-172	122	-137	175
Total unmatrued debt transactions.....	8,172	8,778	7,880	11,160	9,377	22,401	26,620	26,831	23,530	27,831
V Level of cash balance at end of period										
In Canadian dollars.....	4,487	6,374	3,661	5,826	6,541	4,193	6,329	5,779	4,566	4,479
In foreign currency.....	19	59	77	105	79	386	83	79	178	139

Reference Table 63
Government of Canada
Liabilities and Assets
Public Accounts Presentation
(Fiscal year ended March 31)
1972 – 1987
(millions of dollars)

	1972	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Liabilities												
Specified purpose accounts	10,009	16,325	18,720	21,133	13,522	26,776	30,839	33,656	38,247	43,371	48,809	55,505
Foreign liabilities	335	315	1,170	7,356	4,840	4,774	5,408	6,385	6,086	9,057	13,797	11,997
Other liabilities	4,012	8,445	9,579	9,180	9,350	10,668	13,721	16,156	18,538	21,227	19,693	20,424
Unmatured debt — net of												
own holdings												
Marketable bonds	13,664	18,072	21,509	29,622	35,896	43,670	46,666	51,774	58,885	71,393	86,849	101,406
Canada Savings Bonds ...	9,669	16,226	17,926	19,147	17,975	15,705	24,847	32,504	38,054	41,761	44,065	43,362
Treasury bills	3,830	8,255	11,295	13,535	16,325	21,770	19,375	29,125	41,700	52,300	61,950	76,950
Notes payable to												
Canadian banks	0	0	850	4,240	1,712	1,857	2,125	2,988	4,073	7,060	7,920	5,097
Total ununmatured debt	27,353	42,553	51,580	66,544	71,908	83,002	93,013	116,391	142,712	172,514	200,784	226,815
held by outside parties.												
Less: ununmatured debt												
payable in foreign cur-	335	315	1,170	7,356	4,840	4,774	5,408	6,385	6,086	9,057	13,785	11,997
rency												
Total ununmatured debt												
payable in Canadian	26,828	42,238	50,410	59,188	67,068	78,228	87,605	110,006	136,626	163,457	186,987	214,818
currency	41,184	67,323	79,879	96,957	104,780	120,446	137,573	166,203	199,497	237,112	269,286	302,744
Total liabilities ⁽¹⁾												
Assets												
Loans, investments and												
advances	13,038	21,263	22,685	23,398	24,484	24,653	26,159	26,661	27,125	26,416	26,375	24,989
Foreign assets	5,688	3,907	3,576	5,402	3,329	2,336	2,412	4,029	3,316	3,864	2,978	7,568
Other assets	2,559	4,545	5,584	7,505	4,909	7,776	8,449	7,144	8,288	7,740	6,437	6,086
Total assets	21,285	29,715	31,845	36,305	32,722	34,765	37,020	37,834	38,729	38,020	35,790	38,643
Excess of recorded liabilities												
over recorded assets ⁽¹⁾	19,899	37,616	48,042	60,659	72,159	85,681	100,553	128,369	160,768	199,092	233,496	

⁽¹⁾ Total liabilities are normally referred to as the gross debt of Canada whereas the excess of recorded liabilities over recorded assets is normally referred to as the net debt of Canada.
Source: *Public Accounts of Canada* and Department of Finance.

Reference Table 64

Fiscal Impulse Measures**Change in Structural and Primary Structural Budget Balances****As a Percentage of Gross Domestic Product⁽¹⁾**

1971 – 1987

Year	Federal Government			Total Government		
	Actual ⁽²⁾	Structural ⁽³⁾	Primary Structural ⁽³⁾	Actual	Structural	Primary Structural
1971.....	-0.42	-0.33	-0.45	-0.77	-0.65	-0.77
1972.....	-0.35	-0.49	-0.49	-0.08	-0.28	-0.27
1973.....	0.83	0.16	0.17	0.92	0.06	0.09
1974.....	0.49	0.37	0.40	1.00	0.87	0.67
1975.....	-3.06	-2.39	-2.17	-4.37	-3.51	-3.35
1976.....	0.54	0.24	0.41	0.70	0.27	0.53
1977.....	-1.68	-1.20	-1.24	-0.71	-0.11	-0.15
1978.....	-1.12	-1.01	-0.80	-0.65	-0.53	-0.30
1979.....	1.09	0.91	1.23	1.15	0.98	1.04
1980.....	-0.04	0.47	0.67	-0.77	-0.03	0.07
1981.....	1.39	1.42	2.05	1.31	1.37	1.83
1982.....	-3.36	-0.98	-0.46	-4.45	-1.33	-0.71
1983.....	-0.74	-0.51	-0.80	-0.99	-0.71	-0.86
1984.....	-0.59	-1.44	-1.12	0.43	-0.84	-0.38
1985.....	0.13	-0.45	-0.05	-0.52	-1.30	-0.80
1986.....	1.87	1.61	1.66	1.59	1.33	1.43
1987.....	0.50	0.12	0.09	0.84	0.36	0.39

(1) A positive sign indicates a move towards smaller deficits or larger surpluses; a negative sign indicates a move towards larger deficits or smaller surpluses.

(2) Changes in actual balances as percentages of actual GDP.

(3) Changes in structural balances as percentages of cyclically-adjusted GDP.

Source: Statistics Canada, *National Income and Expenditure Accounts* (13-001) Department of Finance.

Reference Table 65
Summary of Balance of Payments
1961 – 1987
(millions of dollars)

Year	Merchandise exports	Merchandise imports	Merchandise trade balance	Service receipts	Service payments	Investment income receipts	Investment income payments	Net transfers	Non-merchandise balance	Balance on current account	Capital account net flows		
											Canadian claims	Canadian liabilities	Balance
1961	5,858	5,716	142	1,276	1,734	301	1,023	-63	-1,080	-939	—	—	—
1962	6,388	6,203	185	1,397	1,771	296	1,068	-12	-1,004	-819	—	—	—
1963	7,074	6,580	493	1,521	1,818	315	1,162	-24	-1,015	-521	—	—	—
1964	8,232	7,537	695	1,688	2,029	443	1,352	-8	-1,112	-415	—	—	—
1965	8,743	8,600	143	1,840	2,232	492	1,485	7	-1,242	-1,098	—	—	—
1966	10,325	10,059	266	2,112	2,524	515	1,635	29	-1,375	-1,109	—	—	—
1967	11,288	10,725	564	2,761	2,735	493	1,733	49	-1,054	-491	—	—	—
1968	13,670	12,196	1,474	2,761	2,990	622	1,840	159	-1,560	-86	—	—	—
1969	14,982	14,071	911	2,862	3,633	893	2,099	111	-1,866	-956	—	—	—
1970	16,820	13,869	2,950	3,258	3,960	1,047	2,397	134	-1,918	1,033	-2,578	1,859	-717
1971	17,784	15,314	2,468	3,389	4,216	991	2,498	236	-2,098	370	-958	1,877	919
1972	20,223	18,272	1,952	3,514	4,508	1,025	2,485	220	-2,235	-283	-772	2,620	1,848
1973	25,649	22,727	2,923	4,118	5,297	1,234	2,965	297	-2,611	-312	-2,148	2,686	537
1974	32,738	30,905	1,834	5,067	6,462	1,444	3,681	497	-3,134	-1,299	-2,683	5,014	2,332
1975	33,616	33,961	-346	5,338	7,402	1,734	4,270	314	-4,286	-4,632	-1,245	7,202	5,957
1976	38,167	36,607	1,559	6,085	8,672	1,679	5,215	467	-5,655	-4,097	-3,474	11,348	7,876
1977	44,496	41,524	2,972	6,687	9,728	1,806	6,377	318	-7,294	-4,321	-1,068	7,614	6,547
1978	53,360	49,047	4,312	7,793	11,005	2,353	8,301	-54	-9,216	-4,903	-5,443	13,493	8,048
1979	65,581	61,158	4,423	9,494	12,121	2,648	9,803	494	-9,287	-4,864	-5,602	12,974	7,372
1980	76,682	67,904	8,778	10,898	14,029	3,639	11,465	1,049	-9,908	-1,130	-7,555	9,862	2,305
1981	84,432	77,140	7,293	12,448	15,861	3,992	15,329	1,329	-13,422	-6,130	-18,446	33,033	14,587
1982	84,394	66,738	17,653	12,258	15,859	5,478	18,148	1,439	-14,830	-2,824	-6,641	5,929	-713
1983	90,556	73,098	17,458	12,888	16,735	5,596	17,198	1,056	-14,391	-3,067	-8,611	11,237	2,626
1984	111,329	91,492	19,837	14,706	19,139	6,361	19,849	778	-17,143	-2,695	-12,114	15,730	3,615
1985	119,070	102,670	16,401	15,909	20,734	7,573	21,893	810	-18,335	-1,936	-4,766	11,756	6,990
1986	119,889	110,079	9,810	17,570	22,800	7,206	23,762	1,480	-20,307	-10,496	-12,060	25,279	13,219
1987	126,125	115,149	10,976	18,090	25,133	6,988	23,593	2,100	-21,553	-10,576	-12,723	27,016	14,294

Source: Statistics Canada, *Quarterly Estimates of the Canadian Balance of International Payments* (67-001).

Reference Table 66

Balance of Payments with the United States

1961 – 1987

(millions of dollars)

Year	Merchan- dise trade balance	Non- merchan- dise trade balance	Balance on current account	Capital account net flows		
				Canadian claims	Canadian liabil- ities	Balance
1961	- 638	- 740	- 1,378	—	—	—
1962	- 434	- 655	- 1,089	—	—	—
1963	- 490	- 665	- 1,155	—	—	—
1964	- 808	- 834	- 1,642	—	—	—
1965	- 1,014	- 902	- 1,917	—	—	—
1966	- 931	- 1,041	- 1,971	—	—	—
1967	- 565	- 781	- 1,346	—	—	—
1968	402	- 1,148	- 746	—	—	—
1969	429	- 1,330	- 901	—	—	—
1970	1,007	- 1,296	- 289	- 1,859	1,441	- 418
1971	1,340	- 1,535	- 196	438	1,251	1,689
1972	1,607	- 1,655	- 49	- 304	867	563
1973	1,430	- 2,092	- 661	- 884	1,838	954
1974	1,148	- 2,549	- 1,402	11	3,438	3,449
1975	- 999	- 3,708	- 4,706	1,252	4,714	5,965
1976	690	- 4,939	- 4,250	- 1,474	5,996	4,522
1977	1,747	- 5,796	- 4,047	219	3,752	3,972
1978	2,966	- 7,245	- 4,278	- 2,436	8,430	5,992
1979	603	- 8,194	- 7,591	- 2,344	5,807	3,464
1980	1,632	- 9,491	- 7,860	- 4,322	2,602	- 1,719
1981	3,685	- 11,540	- 7,855	- 5,493	16,047	10,553
1982	11,025	- 12,679	- 1,654	- 1,231	- 3,236	- 4,467
1983	13,668	- 11,104	2,565	- 9,758	9,238	- 519
1984	19,904	- 12,223	7,681	- 6,525	3,364	- 3,162
1985	21,192	- 12,041	9,151	- 3,294	- 2,684	- 5,978
1986	16,916	- 12,193	4,723	- 7,429	- 1,900	- 9,329
1987	17,427	- 12,870	4,556	- 7,800	7,198	- 602

Source: Statistics Canada, *Quarterly Estimates of the Canadian Balance of International Payments* (67-001).

Reference Table 67

Balance of Payments with the Rest of the World

1961 – 1987

(millions of dollars)

Year	Merchan- dise trade balance	Non- merchan- dise trade balance	Balance on current account	Capital account net flows		
				Canadian claims	Canadian liabil- ities	Balance
1961.....	780	-340	439	—	—	—
1962.....	619	-349	270	—	—	—
1963.....	983	-350	634	—	—	—
1964.....	1,503	-278	1,227	—	—	—
1965.....	1,157	-340	819	—	—	—
1966.....	1,197	-334	862	—	—	—
1967.....	1,129	-273	855	—	—	—
1968.....	1,072	-412	660	—	—	—
1969.....	482	-536	-55	—	—	—
1970.....	1,943	-622	1,322	-719	418	-299
1971.....	1,128	-563	566	-1,396	626	-770
1972.....	345	-580	-234	-468	1,753	1,285
1973.....	1,493	-519	973	-1,264	848	-417
1974.....	686	-585	103	-2,694	1,576	-1,117
1975.....	653	-578	74	-2,497	2,488	-8
1976.....	869	-716	153	-2,000	5,352	3,354
1977.....	1,225	-1,498	-274	-1,287	3,862	2,575
1978.....	1,346	-1,971	-625	-3,007	5,063	2,056
1979.....	3,820	-1,093	2,727	-3,258	7,167	3,908
1980.....	7,146	-417	6,730	-3,233	7,260	4,024
1981.....	3,608	-1,882	1,725	-12,953	16,986	4,034
1982.....	6,628	-2,151	4,478	-5,410	9,165	3,754
1983.....	3,790	-3,287	502	1,147	1,999	3,145
1984.....	-67	-4,920	-4,986	-5,589	12,366	6,777
1985.....	-4,791	-6,294	-11,087	-1,472	14,440	12,968
1986.....	-7,106	-8,114	-15,219	-4,631	27,179	22,548
1987.....	-6,451	-8,683	-15,132	-4,923	19,818	14,896

Source: Statistics Canada, *Quarterly Estimates of the Canadian Balance of International Payments* (67-001).

Reference Table 68

Merchandise Trade Detail: Exports

1971 – 1987

(millions of dollars)

Year	Wheat	Other agricultural products	Crude petroleum	Natural gas	Other crude materials	Fabricated materials	Motor vehicles and parts	Other end products	Residual ⁽¹⁾	Total
1971.....	829	1,298	801	257	2,234	5,963	4,163	2,331	-93	17,783
1972.....	939	1,453	1,035	308	2,255	6,859	4,699	2,637	37	20,222
1973.....	1,275	1,979	1,557	359	3,204	8,571	5,386	3,246	73	25,649
1974.....	2,114	1,846	3,582	520	3,893	11,115	5,667	3,979	22	32,738
1975.....	2,033	2,165	3,014	1,166	3,834	10,412	6,391	4,528	73	33,617
1976.....	1,713	2,600	2,165	1,634	4,426	12,381	8,185	5,014	49	38,167
1977.....	1,948	2,755	1,745	2,087	5,076	15,134	10,322	5,399	29	44,495
1978.....	1,916	3,444	1,582	2,205	5,090	19,467	12,394	6,884	379	53,361
1979.....	2,183	4,185	2,538	3,062	7,041	24,505	11,806	9,936	325	65,582
1980.....	3,882	4,461	2,845	4,035	7,930	29,606	10,890	12,212	818	76,681
1981.....	3,835	5,777	2,502	4,390	8,340	30,964	13,483	13,730	1,411	84,432
1982.....	4,281	5,963	2,747	4,814	7,645	27,139	16,818	13,927	1,059	84,393
1983.....	4,667	5,820	3,499	3,917	7,344	29,440	21,277	13,628	963	90,555
1984.....	4,624	6,175	4,404	3,918	9,620	34,443	29,434	17,287	1,825	111,730
1985.....	3,811	5,920	5,972	4,011	9,994	35,649	33,213	19,046	1,950	119,566
1986.....	2,860	7,101	3,808	2,550	9,664	36,958	34,384	21,304	1,966	120,593
1987.....	3,253	7,478	4,868	2,576	10,184	41,397	22,289	32,245	1,476	125,765

Note: During 1984 Statistics Canada began publishing detailed commodity trade data on a balance of payments basis instead of the Custom basis which it had used previously.

⁽¹⁾ Residual is defined as Special Transactions trade plus unallocated Balance of Payments adjustments.

Source: Statistics Canada, *Summary of Canadian International Trade* (65-001).

Reference Table 69
Merchandise Trade Detail: Imports
1971 – 1987
(millions of dollars)

Year	Agric- ultural products	Crude petrol- eum	Other crude mater- ials	Fabri- cated mater- ials	Motor vehicles and parts	Other end products	Resi- dual ⁽¹⁾	Total
1971.....	1,157	541	781	3,206	4,030	5,751	– 152	15,314
1972.....	1,400	681	859	3,645	4,850	7,029	– 193	18,271
1973.....	1,981	942	1,076	4,330	5,987	8,765	– 356	22,726
1974.....	2,516	2,646	1,426	6,667	6,936	11,157	– 446	30,903
1975.....	2,682	3,302	1,784	6,091	8,101	12,393	– 392	33,962
1976.....	2,871	3,280	1,811	6,264	9,288	13,415	– 322	36,608
1977.....	3,305	3,236	2,104	7,047	11,332	14,860	– 361	41,523
1978.....	3,783	3,491	2,426	8,824	13,078	18,096	– 649	49,048
1979.....	4,194	4,513	3,427	11,931	14,900	22,817	– 625	61,157
1980.....	4,803	6,909	3,811	13,439	13,321	26,154	– 535	67,903
1981.....	5,234	7,976	3,802	14,724	15,739	30,268	– 603	77,140
1982.....	4,938	4,941	3,151	12,376	14,645	27,073	– 386	66,739
1983.....	5,003	3,267	3,317	14,153	18,744	29,173	– 559	73,098
1984.....	5,906	3,383	3,974	17,010	25,719	36,580	– 1,079	91,492
1985.....	5,909	3,749	3,636	19,064	31,091	38,503	688	102,641
1986.....	6,700	2,717	3,475	19,950	33,167	43,209	987	110,205
1987.....	6,792	3,427	4,039	4,790	32,816	45,992	1,377	115,424

Note: See Note to Table 68.

⁽¹⁾ Residual is defined as Special Transactions trade plus unallocated Balance of Payments adjustments.

Source: Statistics Canada, *Summary of Canadian International Trade* (65-001).

Reference Table 70
International Payments: Capital Movements
1970 – 1987
(millions of dollars)

Canadian claims on non-residents, Net Flow									
Year	Direct investment abroad	Portfolio securities		Government of Canada assets		Canadian Bank's foreign currency transactions with non residents	Non-Bank deposits abroad	Other claims	Total claims, Net Flow
		Foreign stocks	Foreign bonds	Official international reserves	Loans and subscriptions				
1970.....	-315	-20	90	-1,663	-208	-122	-33	-308	-2,578
1971.....	-230	-24	221	-897	-359	1,404	-551	-521	-958
1972.....	-400	-29	272	-335	-459	638	-190	-269	-772
1973.....	-770	-47	117	467	-416	-344	-177	-981	-2,148
1974.....	-810	-19	67	-25	-884	-1,354	1,590	-1,248	-2,683
1975.....	-915	-60	42	404	-693	488	-217	-293	-1,245
1976.....	-590	57	19	-522	-628	-942	-348	-522	-3,474
1977.....	-740	-23	243	1,421	-1,024	1,384	-655	-1,675	-1,068
1978.....	-2,325	-48	74	185	-1,129	0	-667	-1,533	-5,443
1979.....	-2,550	32	-613	858	-1,396	0	72	-2,004	-5,602
1980.....	-3,150	-68	-115	542	-1,668	0	-489	-2,608	-7,555
1981.....	-6,900	-31	8	-382	-1,434	0	-7,562	-2,146	-18,446
1982.....	-875	-233	-309	665	-2,686	0	-3,240	36	-6,641
1983.....	-3,399	-451	-825	-549	-363	0	958	-3,981	-8,611
1984.....	-2,949	-1,359	-784	1,092	-1,956	0	-1,927	-4,234	-12,114
1985.....	-5,100	-750	-563	111	-867	0	2,152	250	-4,766
1986.....	-4,521	-182	-2,229	-662	-25	0	-2,555	-1,886	-12,060
1987.....	-6,009	-951	-902	-4,460	-529	0	1,695	-1,566	-12,723

Source: Statistics Canada, *Quarterly Estimates of the Canadian Balance of International Payments* (67-001).

Table 70 (continued)
International Payments: Capital Movements
1970 – 1987
(millions of dollars)

Canadian liabilities to non-residents, Net Flow											
Year	Direct investment in Canada	Portfolio securities		Canadian Bank's foreign currency transactions with non residents	Money Market instruments		Special drawing rights allocations	Other liabilities	Total liabilities, net flow	Total capital account, net pancy	Statistical discrepancy
		Canadian stocks	Canadian bonds		Government of Canada paper	Other tions					
1970.....	905	572	-79	0	-79	310	133	98	1,859	-717	-316
1971.....	925	233	-125	0	-2	77	119	651	1,877	919	-1,289
1972.....	620	1,380	-24	0	21	-177	117	681	2,620	1,848	-1,565
1973.....	830	577	13	0	-23	140	0	1,150	2,686	537	-851
1974.....	845	1,866	-141	0	78	80	0	2,284	5,014	2,332	-1,033
1975.....	725	4,406	86	0	38	349	0	1,597	7,202	5,957	-1,326
1976.....	-299	8,636	-57	0	439	522	0	2,108	11,348	7,876	-3,779
1977.....	475	5,279	-104	0	242	219	0	1,504	7,614	6,547	-2,225
1978.....	135	5,267	-270	2,771	-53	84	0	5,559	13,493	8,048	-3,147
1979.....	750	3,552	522	4,107	-179	677	219	3,326	12,974	7,372	-2,508
1980.....	800	3,460	1,489	1,311	542	507	217	1,534	9,862	2,305	-1,176
1981.....	-4,400	11,503	-628	17,400	-2	1,207	210	7,744	33,033	14,587	-8,456
1982.....	-1,025	11,964	-308	-3,704	122	-978	0	-139	5,929	-713	-2,111
1983.....	300	4,781	912	1,553	974	779	0	1,940	11,237	2,626	-5,692
1984.....	1,699	7,832	152	566	1,515	16	0	3,952	15,730	3,615	-7,050
1985.....	-2,950	11,094	1,551	276	-692	114	0	2,363	11,756	6,990	-5,805
1986.....	1,551	22,588	1,912	-5,663	1,775	847	0	2,270	25,279	13,219	-3,951
1987.....	4,361	7,919	6,822	1,950	1,403	1,117	0	3,445	27,016	14,294	-4,692

Reference Table 71

Net Proceeds from New Issues of Canadian Securities to Non-Residents

1950 – 1987

(millions of dollars)

Year	Government of Canada bonds (including guaranteed)			Provincial government bonds (including guaranteed)			Municipal government bonds			Total government bonds		
	New issues	Retire- ments	Net proceeds	New issues	Retire- ments	Net proceeds	New issues	Retire- ments	Net proceeds	New Issues	Retire- ments	Net proceeds
1950.....	62	160	-98	96	82	14	20	9	11	178	251	-73
1951.....	7	94	-87	262	43	219	72	12	60	341	149	192
1952.....	1	18	-17	107	38	69	55	17	38	163	73	90
1953.....	6	84	-78	143	28	115	76	15	61	225	127	98
1954.....	8	69	-61	126	63	63	46	28	18	180	160	20
1955.....	5	100	-95	3	19	-16	44	18	26	52	137	-85
1956.....	9	83	-74	224	15	209	112	18	94	345	116	229
1957.....	16	29	-13	136	25	111	123	24	99	275	78	197
1958.....	76	25	51	168	45	123	148	30	118	392	100	292
1959.....	56	101	-45	334	41	293	157	33	124	547	175	372
1960.....	30	58	-28	103	57	46	135	38	97	268	153	115
1961.....	37	48	-11	66	24	42	47	38	9	150	110	40
1962.....	156	86	70	148	22	126	74	41	33	378	149	229
1963.....	173	76	97	343	70	273	62	77	-15	578	223	355
1964.....	43	88	-45	439	66	373	182	53	129	664	207	457
1965.....	28	85	-57	297	31	266	84	53	31	409	169	240
1966.....	32	203	-171	448	65	383	177	96	81	657	364	293
1967.....	20	95	-75	762	61	701	173	52	121	955	208	747
1968.....	288	57	231	852	76	776	124	60	64	1,264	193	1,071
1969.....	40	83	-43	1,063	91	972	177	88	89	1,280	262	1,018
1970.....	26	158	-132	528	111	417	65	92	-27	619	361	258
1971.....	27	31	-4	725	316	409	26	100	-74	778	447	331
1972.....	31	43	-12	1,140	221	919	169	98	71	1,340	362	978
1973.....	13	110	-97	857	233	624	109	117	-8	979	460	519
1974.....	14	55	-41	1,713	210	1,503	234	96	138	1,961	361	1,600
1975.....	46	92	-46	3,334	341	2,993	541	82	459	3,921	515	3,406
1976.....	369	148	221	4,938	308	4,630	782	120	662	6,089	576	5,513
1977.....	726	146	580	3,109	311	2,798	376	98	278	4,211	555	3,656
1978.....	3,095	211	2,884	2,053	586	1,467	130	194	-64	5,278	991	4,287
1979.....	1,747	210	1,537	2,065	865	1,200	217	420	-203	4,029	1,495	2,534
1980.....	1,238	299	939	1,523	1,108	415	157	352	-195	2,918	1,759	1,159
1981.....	2,001	463	1,538	6,433	1,164	5,269	415	210	205	8,849	1,837	7,012
1982.....	3,955	789	3,166	7,668	1,878	5,790	706	348	358	12,329	3,015	9,314
1983.....	2,311	2,029	282	5,409	1,799	3,610	309	296	13	8,029	4,124	3,905
1984.....	2,270	1,985	285	4,296	1,700	2,596	787	258	529	7,353	3,943	3,410
1985.....	5,434	2,237	3,197	4,754	3,113	1,641	513	288	225	10,701	5,638	5,063
1986.....	6,413	2,081	4,332	9,636	3,550	6,086	673	539	134	16,722	6,170	10,552
1987.....	3,288	3,749	-461	4,825	3,643	1,182	681	527	154	8,794	7,919	875

Source: Statistics Canada, *Quarterly Estimates of the Canadian Balance of International Payments* (67-001) and *Security Transactions with Non-Residents* (67-002).

Table 71 (continued)

Net Proceeds from New Issues of Canadian Securities to Non-Residents

1950 – 1987

(millions of dollars)

Year	Bonds and debentures of corporations			Total bonds and debentures			Total stocks			Total securities		
	New issues	Retire- ments	Net proceeds	New issues	Retire- ments	Net proceeds	New issues	Retire- ments	Net proceeds	New issues	Retire- ments	Net proceeds
1950.....	28	31	-3	206	282	-76	4	2	2	210	284	-74
1951.....	28	27	1	369	176	193	42	34	8	411	210	201
1952.....	136	15	121	299	88	211	24	1	23	323	89	234
1953.....	64	13	51	289	140	149	46	6	40	335	146	189
1954.....	133	35	98	313	195	118	20	10	10	333	205	128
1955.....	51	41	10	103	178	-75	63	7	56	166	185	-19
1956.....	252	20	232	597	136	461	70	5	65	667	141	526
1957.....	464	31	433	739	109	630	61	25	36	800	134	666
1958.....	253	42	211	645	142	503	43	16	27	688	158	530
1959.....	114	66	48	661	241	420	48	17	31	709	258	451
1960.....	154	104	50	422	257	165	26	9	17	448	266	182
1961.....	354	136	218	504	246	258	44	55	-11	548	301	247
1962.....	331	140	191	709	289	420	20	30	-10	729	319	410
1963.....	392	101	291	970	324	646	14	80	-66	984	404	580
1964.....	414	117	297	1,078	324	754	22	58	-36	1,100	382	718
1965.....	807	214	593	1,216	383	833	24	7	17	1,240	390	850
1966.....	751	131	620	1,408	495	913	57	4	53	1,465	499	966
1967.....	315	148	167	1,270	356	914	37	1	36	1,307	357	950
1968.....	586	233	353	1,850	426	1,424	67	5	62	1,917	431	1,486
1969.....	597	176	421	1,877	438	1,439	212	2	210	2,089	440	1,649
1970.....	541	187	354	1,160	548	612	70	4	66	1,230	552	678
1971.....	391	393	-2	1,169	840	329	22	5	17	1,191	845	346
1972.....	345	236	109	1,685	598	1,087	38	2	36	1,723	600	1,123
1973.....	305	276	29	1,284	736	548	39	2	37	1,323	738	585
1974.....	448	224	224	2,409	585	1,824	14	41	-27	2,423	626	1,797
1975.....	1,031	332	699	4,952	847	4,105	86	4	82	5,038	851	4,187
1976.....	2,868	303	2,565	8,955	878	8,077	81	58	23	9,036	936	8,100
1977.....	1,729	345	1,384	5,939	902	5,037	13	27	-14	5,952	929	5,023
1978.....	1,267	325	942	6,547	1,314	5,233	126	0	126	6,673	1,314	5,359
1979.....	1,150	608	542	5,181	2,104	3,077	162	0	162	5,343	2,104	3,239
1980.....	1,982	751	1,231	4,900	2,510	2,390	503	1	502	5,403	2,511	2,892
1981.....	4,464	1,228	3,236	13,312	3,063	10,249	485	2	483	13,797	3,065	10,732
1982.....	4,221	1,414	2,807	16,551	4,431	12,120	203	4	199	16,754	4,435	12,319
1983.....	1,613	1,213	400	9,643	5,338	4,305	1,177	2	1,175	10,820	5,340	5,480
1984.....	1,941	1,247	694	9,296	5,191	4,105	395	2	393	9,691	5,193	4,498
1985.....	4,124	1,377	2,747	14,826	7,016	7,810	374	18	356	15,200	7,034	8,166
1986.....	8,241	3,620	4,621	24,964	9,787	15,177	1,126	11	1,115	26,090	9,798	16,292
1987.....	7,190	2,664	4,526	15,985	10,583	5,402	2,430	8	2,422	18,415	10,591	7,824

Reference Table 72
Canadian Chartered Banks' Head Office and Branches in Canada
Net Change in Foreign Currency Positions⁽¹⁾
1965 - 1987
(millions of dollars)

Year	With U.S. residents ⁽²⁾			Other non-residents ⁽²⁾			Total non-residents			With Canadian residents			Changes in banks' own positions
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net	
1965.....	-208	-727	519	-440	505	-945	-648	-222	-426	276	-107	383	-43
1966.....	208	-309	517	-2	48	-50	206	-261	467	84	401	-317	150
1967.....	273	76	197	375	188	648	648	384	384	-103	363	-466	-82
1968.....	168	-296	464	725	701	24	893	405	488	189	189	-238	250
1969.....	815	338	477	1,395	1,366	29	2,210	1,704	506	215	1,237	-1,022	-516
1970.....	-33	22	-55	1,389	1,212	177	1,356	1,234	122	216	101	115	237
1971.....	-933	592	-1,525	318	197	121	-615	789	-1,404	-43	-1,470	1,427	23
1972.....	-87	175	-262	1,288	1,663	-375	1,201	1,838	-637	-100	-89	-11	-648
1973.....	528	265	-263	3,211	3,131	80	3,739	3,396	343	175	1,406	-1,231	-888
1974.....	-47	1,026	-1,073	1,492	-935	2,427	1,445	91	1,354	1,116	1,997	-881	473
1975.....	-652	833	-1,485	558	-438	996	-94	395	-489	569	-513	1,082	593
1976.....	884	275	609	2,407	2,075	332	3,291	2,350	941	498	1,789	-1,291	-350
1977.....	-31	851	-882	838	1,340	-502	807	2,191	-1,384	2,217	843	1,374	-10
1978.....	2,238	4,324	-2,086	1,881	2,566	-685	4,119	6,890	-2,771	5,442	3,425	2,017	-754
1979.....	672	2,526	-1,854	3,739	5,992	-2,253	4,411	8,518	-4,107	1,178	-572	1,750	-2,357
1980.....	5,786	4,135	1,651	6,251	9,213	-2,962	12,037	13,348	-1,311	2,759	1,056	1,703	392
1981.....	-645	8,677	-9,323	3,476	11,746	-8,269	2,831	20,423	-17,592	11,326	-4,293	15,619	-1,973
1982.....	189	-600	788	-778	-3,693	2,917	-589	-4,293	3,705	2,558	1,927	632	4,336
1983.....	1,290	8,679	-7,389	2,238	-3,598	5,837	3,528	5,081	-1,552	-1,147	-1,170	23	-1,529
1984.....	441	947	-505	-29	32	-62	412	979	-567	316	544	-228	-795
1985.....	6,765	4,868	1,897	-3,004	-832	-2,172	3,761	4,036	-275	3,076	994	2,082	1,806
1986.....	6,564	4,912	1,652	2,247	-1,764	3,981	8,811	3,148	5,633	-3,414	-1,627	-1,787	3,876
1987.....	-649	-2,660	2,011	-712	3,248	-3,960	-1,361	588	-1,949	-2,723	617	-3,340	-5,288

(1) Adjusted for variations in exchange rates.

(2) Commencing with September 30, 1970, changes in assets and liabilities with residents of Puerto Rico and the U.S. Virgin Islands are included with residents of the United States instead of with other non-residents.

Source: Statistics Canada, *Quarterly Estimates of the Canadian Balance of International Payments* (67-001).

Reference Table 73

Canada's Official International Reserves

1961 – 1987

(millions of U.S. dollars)

Year	Foreign currencies ⁽¹⁾		Gold	Special Drawing Rights	Reserve position in IMF	Total	Total (millions of SDRs)
	U.S. dollars	Other					
1961.....	1123.0	10.7	946.2	—	212.1	2292.0	2292.0
1962.....	1842.8	9.2	708.5	—	0.0	2560.5	2560.5
1963.....	1786.6	9.5	817.2	—	0.0	2613.3	2613.3
1964.....	1654.5	11.8	1025.7	—	197.5	2889.5	2889.5
1965.....	1519.9	12.8	1150.8	—	353.4	3036.9	3036.9
1966.....	1195.4	12.4	1045.6	—	448.5	2701.9	2701.9
1967.....	1255.2	13.4	1014.9	—	433.4	2716.9	2716.9
1968.....	1964.9	11.6	863.1	—	206.2	3045.8	3045.8
1969.....	1743.6	12.3	872.3	—	478.1	3106.3	3106.3
1970.....	3022.1	14.5	790.7	182.1	669.6	4679.0	4679.0
1971.....	4060.6	13.6	791.8	371.9	332.6	5570.4	5570.4
1972.....	4355.0	12.6	834.1	505.2	342.9	6049.9	5572.3
1973.....	3927.2	12.2	926.9	563.7	338.2	5768.2	4781.5
1974.....	3767.7	12.9	940.7	574.3	529.7	5825.3	4757.9
1975.....	3207.1	15.7	899.4	555.4	648.0	5325.6	4549.3
1976.....	3446.3	15.8	879.0	557.8	944.5	5843.4	5029.2
1977.....	2298.7	15.8	935.6	505.3	852.1	4607.5	3793.1
1978.....	2459.5	18.4	1009.1	522.4	556.8	4566.2	3504.9
1979.....	1863.9	23.9	1022.6	585.9	390.6	3886.9	2950.6
1980.....	2037.6	23.1	936.6	453.2	579.0	4029.6	3159.5
1981.....	2865.3	95.8	833.7	174.0	402.4	4371.1	3755.4
1982.....	2454.9	120.1	782.3	70.8	365.0	3793.2	3438.6
1983.....	2373.8	368.2	739.1	21.0	703.3	4205.4	4016.8
1984.....	1692.1	48.6	690.8	72.2	678.4	3182.1	3246.4
1985.....	1523.9	50.1	773.0	217.9	710.8	3275.6	2982.1
1986.....	2274.1	43.4	844.5	247.4	686.3	4095.6	3348.3
1987.....	6163.3	54.5	919.5	405.2	660.6	8203.2	5782.4

⁽¹⁾ Convertible foreign currency of the Exchange Fund Account, the Receiver General for Canada and the Bank of Canada.

Source: Department of Finance.

Reference Table 74

Canada's International Investment Position for Selected Years

1926 – 1987

(billions of dollars)

Canada's assets								
Year	Direct investment	Portfolio investment	Official international reserves	Government of Canada loans and subscriptions	Non-bank deposits ⁽¹⁾	Canadian banks' net foreign currency asset position	Other assets	Total assets ⁽²⁾
1926.....	0.4	0.5	—	—	—	—	0.4	1.3
1930.....	0.4	0.8	—	—	—	—	0.3	1.5
1939.....	0.7	0.7	0.5	—	—	—	0.0	1.9
1945.....	0.7	0.6	1.7	0.7	—	0.1	0.2	4.0
1950.....	1.0	0.6	2.0	2.1	—	0.1	0.1	5.9
1955.....	1.7	1.0	2.0	1.7	—	0.4	0.3	7.1
1960.....	2.5	1.3	2.0	1.6	—	1.2	0.3	8.9
1965.....	3.5	1.9	3.3	1.6	0.4	0.4	1.8	12.9
1970.....	6.2	2.8	4.7	2.5	1.5	2.1	2.2	22.0
1975.....	10.5	4.2	5.4	5.2	1.2	1.4	5.9	33.8
1980.....	25.9	8.9	3.7	10.8	3.8	—	13.3	67.5
1981.....	32.6	9.2	5.2	12.0	11.3	—	16.5	86.8
1982.....	35.8	9.8	4.6	14.9	15.1	—	16.4	96.6
1983.....	37.8	11.4	5.2	15.4	14.4	—	18.4	102.7
1984.....	44.2	14.1	4.2	17.9	17.3	—	22.7	120.5
1985.....	49.9	16.6	4.6	19.4	16.2	—	22.5	129.2
1986.....	54.7	18.4	5.7	19.5	18.7	—	24.5	141.4
1987.....	59.9	19.9	10.7	19.5	15.9	—	26.1	151.9

⁽¹⁾ Prior to 1965, included in Canadian banks' net foreign currency asset position.⁽²⁾ Data for 1926 and 1930 excludes short-term receivables and payables.Source: Statistics Canada, *Canada's International Investment Position* (67-202).

Reference Table 74 (continued)

Canada's International Investment Position for Selected Years

1926 – 1987

(billions of dollars)

Year	Canada's liabilities							Net inter- national investment position	Cumulative statistical discrepancy
	Direct investment	Portfolio investment	Non-resident equity in Canadian assets abroad	Canadian bank's net foreign currency liability position	Money market securities ⁽¹⁾	Other liabilities	Total liabilities ⁽²⁾		
1926.....	1.8	3.9	—	—	—	0.7	6.4	– 5.1	0.0
1930.....	2.4	4.9	—	—	—	0.7	8.0	– 6.5	0.0
1939.....	2.3	4.3	0.2	—	—	0.6	7.4	– 5.5	0.0
1945.....	2.7	4.1	0.2	—	—	1.1	8.1	– 4.1	– 0.1
1950.....	4.0	4.4	0.3	—	—	1.4	10.1	– 4.2	– 0.3
1955.....	7.7	5.2	0.7	—	—	1.8	15.4	– 8.3	0.3
1960.....	12.9	7.9	1.1	—	—	3.1	25.0	– 16.1	– 0.5
1965.....	17.4	10.1	1.6	—	—	5.8	34.9	– 22.0	– 0.4
1970.....	26.4	14.9	2.8	—	—	7.9	52.0	– 30.0	1.6
1975.....	37.4	28.2	3.9	—	—	14.0	83.5	– 49.7	7.2
1980.....	61.6	69.7	9.0	7.0	4.4	22.4	174.1	– 106.6	20.3
1981.....	66.5	83.9	9.8	25.3	4.3	28.4	218.2	– 131.4	28.9
1982.....	68.8	97.8	10.9	22.8	2.6	25.6	228.5	– 131.9	31.2
1983.....	73.2	102.8	12.3	24.5	4.4	24.5	241.7	– 139.0	36.7
1984.....	79.6	114.8	13.5	26.4	6.0	27.1	267.4	– 147.0	43.9
1985.....	83.5	136.0	14.7	28.4	5.5	29.3	297.3	– 168.2	49.7
1986.....	92.5	163.3	15.3	22.4	8.1	33.4	335.0	– 193.5	53.6
1987.....	103.1	178.9	15.9	23.6	10.3	34.2	366.0	– 214.1	58.3

⁽¹⁾ Prior to 1980, included in Other liabilities.⁽²⁾ Data for 1926 and 1930 excludes short-term receivables and payables.

Reference Table 75

Price of Foreign Currencies in Canada

1952 – 1987

(average of daily rates)

Year	Belgian franc	French franc	German mark	Italian lira	Japanese yen	Dutch guilder	Swedish krona	Swiss franc	British pound	U.S. dollar
1952.....	0.0195	0.280	0.233	0.00157	0.00272	0.258	0.189	0.227	2.734	0.979
1953.....	0.0197	0.281	0.234	0.00158	0.00273	0.259	0.190	0.229	2.767	0.983
1954.....	0.0195	0.278	0.232	0.00156	0.00270	0.257	0.188	0.227	2.734	0.973
1955.....	0.0196	0.282	0.234	0.00158	0.00274	0.259	0.191	0.230	2.754	0.986
1956.....	0.0197	0.281	0.234	0.00158	0.00273	0.257	0.190	0.230	2.752	0.984
1957.....	0.0191	0.256	0.228	0.00154	0.00266	0.251	0.185	0.224	2.679	0.959
1958.....	0.0195	0.231	0.232	0.00156	0.00270	0.257	0.188	0.226	2.728	0.971
1959.....	0.0192	0.196	0.230	0.00154	0.00266	0.254	0.185	0.222	2.694	0.959
1960.....	0.0195	0.198	0.233	0.00156	0.00269	0.257	0.188	0.225	2.723	0.970
1961.....	0.0203	0.207	0.252	0.00163	0.00281	0.279	0.196	0.235	2.839	1.013
1962.....	0.0215	0.218	0.267	0.00172	0.00297	0.297	0.207	0.247	3.001	1.069
1963.....	0.0216	0.220	0.271	0.00174	0.00300	0.300	0.208	0.250	3.020	1.079
1964.....	0.0217	0.220	0.271	0.00173	0.00300	0.299	0.209	0.250	3.012	1.079
1965.....	0.0217	0.220	0.270	0.00173	0.00299	0.299	0.209	0.249	3.014	1.078
1966.....	0.0216	0.219	0.269	0.00173	0.00298	0.298	0.209	0.249	3.009	1.077
1967.....	0.0217	0.219	0.271	0.00173	0.00298	0.299	0.209	0.249	2.962	1.079
1968.....	0.0216	0.218	0.270	0.00173	0.00299	0.298	0.209	0.250	2.579	1.077
1969.....	0.0215	0.208	0.275	0.00172	0.00301	0.297	0.208	0.250	2.574	1.077
1970.....	0.0210	0.189	0.286	0.00167	0.00292	0.289	0.201	0.242	2.502	1.044
1971.....	0.0208	0.183	0.291	0.00163	0.00291	0.289	0.198	0.246	2.469	1.010
1972.....	0.0225	0.196	0.311	0.00170	0.00327	0.309	0.208	0.259	2.479	0.991
1973.....	0.0258	0.226	0.378	0.00172	0.00370	0.360	0.230	0.317	2.452	1.000
1974.....	0.0252	0.204	0.379	0.00150	0.00335	0.365	0.221	0.330	2.288	0.978
1975.....	0.0277	0.238	0.414	0.00156	0.00343	0.403	0.246	0.394	2.259	1.017
1976.....	0.0256	0.207	0.392	0.00119	0.00333	0.373	0.227	0.395	1.781	0.986
1977.....	0.0297	0.217	0.459	0.00121	0.00398	0.434	0.238	0.445	1.857	1.063
1978.....	0.0363	0.254	0.570	0.00135	0.00548	0.529	0.253	0.644	2.191	1.141
1979.....	0.0400	0.276	0.640	0.00141	0.00537	0.584	0.273	0.705	2.486	1.171
1980.....	0.0400	0.277	0.644	0.00137	0.00519	0.589	0.276	0.698	2.720	1.169
1981.....	0.0324	0.222	0.532	0.00106	0.00545	0.482	0.238	0.613	2.430	1.199
1982.....	0.0271	0.189	0.509	0.00091	0.00497	0.462	0.198	0.609	2.158	1.234
1983.....	0.0242	0.162	0.483	0.00081	0.00519	0.433	0.161	0.588	1.869	1.232
1984.....	0.0225	0.149	0.456	0.00074	0.00546	0.404	0.157	0.552	1.728	1.295
1985.....	0.0232	0.153	0.468	0.00072	0.00577	0.415	0.160	0.562	1.771	1.366
1986.....	0.0312	0.201	0.643	0.00094	0.00827	0.570	0.195	0.777	2.038	1.389
1987.....	0.0356	0.221	0.739	0.00102	0.00919	0.656	0.209	0.891	2.173	1.326

Source: Bank of Canada.

Reference Table 76
Indexes of Exchange Rates
1972 – 1987
(1981 = 100)

Year	Price of Canadian dollar in			Price of United States dollar in		
	United States	Other G-10 Countries	Total G-10 Countries	Canada	Other G-10 Countries	Total G-10 Countries
1972.....	121.0	132.7	123.1	82.6	114.4	101.9
1973.....	119.9	120.4	120.0	83.4	103.4	95.8
1974.....	122.6	128.2	123.6	81.6	107.5	97.4
1975.....	117.9	122.1	118.7	84.8	105.7	97.7
1976.....	121.6	136.5	124.2	82.2	112.7	100.7
1977.....	112.8	121.9	114.4	88.7	107.5	100.3
1978.....	105.2	97.5	103.7	95.1	91.4	92.7
1979.....	102.4	91.2	100.3	97.7	88.4	91.7
1980.....	102.5	90.4	100.2	97.5	88.3	91.5
1981.....	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	97.2	110.6	99.5	102.9	113.4	109.6
1983.....	97.3	117.4	100.7	102.8	119.1	113.0
1984.....	92.6	121.4	97.3	108.0	128.7	120.9
1985.....	87.8	118.3	92.7	113.9	132.1	125.2
1986.....	86.3	88.9	86.8	115.9	99.4	105.0
1987.....	90.4	80.3	88.5	110.6	85.2	93.6
1985 J.....	90.6	132.1	97.0	110.4	142.4	130.0
1985 F.....	88.6	133.7	95.5	112.9	147.3	133.9
1985 M.....	86.7	129.6	93.3	115.4	146.2	134.4
1985 A.....	87.8	124.0	93.5	113.8	138.6	129.2
1985 M.....	87.1	123.2	92.8	114.7	138.9	129.8
1985 J.....	87.7	121.9	93.1	114.0	136.7	128.2
1985 J.....	88.6	117.2	93.3	112.8	130.4	123.9
1985 A.....	88.3	114.4	92.6	113.2	127.4	122.2
1985 S.....	87.5	114.2	91.9	114.3	128.4	123.2
1985 O.....	87.7	106.7	90.9	114.0	119.2	117.4
1985 N.....	87.1	102.9	89.8	114.8	115.6	115.4
1985 D.....	85.9	100.2	88.4	116.3	113.9	114.8
1986 J.....	85.2	98.1	87.5	117.3	112.1	114.0
1986 F.....	85.4	93.8	86.9	117.1	106.4	110.1
1986 M.....	85.6	91.4	86.6	116.8	103.5	108.1
1986 A.....	86.4	91.4	87.3	115.7	102.6	107.2
1986 M.....	87.2	89.8	87.7	114.7	99.8	105.0
1986 J.....	86.3	89.2	86.8	115.9	100.1	105.6
1986 J.....	86.8	86.8	86.9	115.2	96.5	102.8
1986 A.....	86.4	84.4	86.0	115.8	93.9	101.3
1986 S.....	86.4	84.5	86.1	115.7	93.8	101.2
1986 O.....	86.4	84.7	86.1	115.8	93.9	101.2
1986 N.....	86.5	86.4	86.5	115.6	95.8	102.5
1986 D.....	86.9	86.0	86.7	115.1	94.8	101.7
1987 J.....	88.1	82.6	87.1	113.5	89.7	97.6
1987 F.....	89.9	83.1	88.6	111.3	88.6	96.1
1987 M.....	90.9	83.1	89.4	110.0	87.8	95.2
1987 A.....	90.9	80.6	88.9	110.0	85.1	93.3
1987 M.....	89.4	78.1	87.2	111.9	83.9	93.0
1987 J.....	89.6	80.0	87.8	111.7	85.8	94.3
1987 J.....	90.4	82.6	89.0	110.6	87.9	95.4
1987 A.....	90.4	82.3	88.9	110.6	87.4	95.1
1987 S.....	91.1	80.9	89.2	109.7	85.2	93.3
1987 O.....	91.5	80.8	89.5	109.2	84.8	92.9
1987 N.....	91.1	75.6	88.1	109.8	79.8	89.5
1987 D.....	91.7	73.4	88.1	109.0	76.9	87.2

Source: Bank of Canada and Department of Finance.

Reference Table 77

Money Market and Eurodollar Rates⁽¹⁾

1983 – 1987

(per cent)

Month	Canada	United States	Japan	France	West Germany	United Kingdom	Netherlands	Belgium	Eurodollar London
1983 J.	9.58	7.81	7.00	12.75	5.82	10.98	5.14	9.65	8.99
1983 F.	9.23	8.13	6.92	13.05	5.83	11.12	4.89	9.88	9.18
1983 M.	9.17	8.30	6.85	12.76	5.45	10.89	4.44	11.28	9.30
1983 A.	9.12	8.25	6.76	12.31	5.20	10.22	5.18	9.60	9.23
1983 M.	9.25	8.19	6.66	12.73	5.33	10.10	5.21	7.21	9.02
1983 J.	9.17	8.82	6.64	12.81	5.57	9.80	4.94	7.22	9.71
1983 J.	9.24	9.12	6.72	12.44	5.57	9.70	5.28	7.46	10.04
1983 A.	9.32	9.39	6.80	12.62	5.71	9.54	5.56	7.57	10.33
1983 S.	9.24	9.05	6.86	12.61	5.88	9.36	5.67	5.85	9.86
1983 O.	9.24	8.71	6.69	12.63	6.18	9.03	5.75	6.73	9.61
1983 N.	9.38	8.71	6.38	12.50	6.30	9.03	5.60	8.32	9.84
1983 D.	9.71	8.96	6.38	12.36	6.48	9.06	5.75	7.39	10.14
1984 J.	9.73	8.93	6.22	12.62	6.12	9.07	5.71	7.92	9.81
1984 F.	9.82	9.03	6.34	12.61	5.95	9.06	5.80	7.17	9.96
1984 M.	10.53	9.44	6.38	12.72	5.86	8.69	6.06	10.93	10.46
1984 A.	10.59	9.69	6.25	12.65	5.84	8.57	5.78	11.13	10.87
1984 M.	11.29	9.90	6.25	12.37	6.10	9.29	5.61	9.03	11.60
1984 J.	12.11	9.94	6.28	12.39	6.13	9.24	5.72	9.55	11.73
1984 J.	12.73	10.13	6.26	11.87	6.13	11.00	5.97	10.03	12.05
1984 A.	12.13	10.49	6.36	11.57	6.02	10.78	5.81	10.62	11.87
1984 S.	12.02	10.41	6.39	11.25	5.82	10.41	5.83	8.68	11.71
1984 O.	11.46	9.97	6.32	10.97	6.07	10.24	5.90	9.43	10.81
1984 N.	10.50	8.79	6.43	10.69	5.96	9.49	5.57	10.07	9.56
1984 D.	9.84	8.16	6.41	10.83	5.83	9.34	5.63	9.12	8.96
1985 J.	9.50	7.76	6.29	10.59	5.87	11.32	5.77	9.22	8.45
1985 F.	11.27	8.22	6.45	10.77	6.16	13.58	6.48	8.99	9.11
1985 M.	10.40	8.57	6.48	10.88	6.39	13.38	6.90	9.13	9.39
1985 A.	9.77	8.00	6.34	10.65	6.02	12.39	6.76	9.45	8.75
1985 M.	9.51	7.56	6.38	10.32	5.84	12.33	7.12	8.84	8.16
1985 J.	9.33	7.01	6.32	10.35	5.68	12.27	6.84	8.00	7.66
1985 J.	9.06	7.05	6.35	10.12	5.34	11.78	6.61	6.97	7.95
1985 A.	8.95	7.18	6.41	9.95	4.79	11.30	5.98	8.00	8.08
1985 S.	8.75	7.08	6.45	9.75	4.69	11.34	5.74	7.91	8.21
1985 O.	8.53	7.13	6.78	9.45	4.81	11.40	5.87	8.26	8.14
1985 N.	8.85	7.20	8.04	9.06	4.84	11.44	5.81	7.91	8.08
1985 D.	9.24	7.07	8.10	9.07	4.83	11.45	5.77	6.60	8.05
1986 J.	10.55	7.04	7.06	9.08	4.67	12.60	5.72	8.10	8.10
1986 F.	11.55	7.03	6.00	8.92	4.49	12.45	5.97	8.47	7.96
1986 M.	10.19	6.59	5.59	8.42	4.54	11.72	5.71	7.20	7.49
1986 A.	8.72	6.06	4.97	7.73	4.49	10.46	5.49	8.67	6.87
1986 M.	8.33	6.12	4.62	7.31	4.60	10.09	6.62	6.44	6.94
1986 J.	8.59	6.21	4.66	7.33	4.60	9.66	6.17	5.18	6.99
1986 J.	8.26	5.84	4.69	7.22	4.63	9.75	6.13	6.34	6.61
1986 A.	8.33	5.57	4.77	7.19	4.57	9.75	5.62	6.37	6.13
1986 S.	8.35	5.19	4.44	7.18	4.50	9.96	5.31	5.76	5.92
1986 O.	8.30	5.18	4.30	7.51	4.59	10.87	5.40	6.26	5.93
1986 N.	8.24	5.35	4.34	7.60	4.69	10.99	5.65	5.81	6.02
1986 D.	8.22	5.49	4.39	8.00	4.81	10.97	6.17	5.09	6.29
1987 J.	7.24	5.45	4.31	8.60	4.49	10.88	6.01	7.75	6.13
1987 F.	7.28	5.59	4.21	8.48	3.97	10.75	5.30	6.90	6.38
1987 M.	6.80	5.56	3.94	7.90	3.99	9.80	5.54	5.83	6.43
1987 A.	8.08	5.76	3.91	7.95	3.89	9.66	5.24	5.65	6.80
1987 M.	8.19	5.75	3.75	8.17	3.76	8.71	5.19	5.61	7.24
1987 J.	8.29	5.69	3.66	8.26	3.70	8.76	5.19	5.42	7.17
1987 J.	8.97	5.78	3.58	7.89	3.83	9.02	5.19	5.62	6.92
1987 A.	8.99	6.00	3.68	7.94	3.95	9.94	4.84	4.82	6.98
1987 S.	9.32	6.32	3.77	7.92	3.99	9.98	4.88	5.24	7.57
1987 O.	7.84	6.40	3.87	8.27	4.70	9.75	5.32	4.61	8.33
1987 N.	8.31	5.81	3.91	8.72	3.94	8.70	4.73	5.44	7.47
1987 D.	8.41	5.80	3.96	8.54	3.65	8.47	4.50	5.09	7.90

⁽¹⁾ For the United States, data represent the three-month treasury bill, rather than the Federal Funds Rate.Source: International Monetary Fund, *International Financial Statistics*.

Reference Table 78

Monetary Aggregates

1966 – 1987

(millions of dollars, average of Wednesdays)

Year	Monetary base ⁽¹⁾	Currency outside banks	Currency and demand deposits less private sector float (M1)	M1 plus daily interest chequable and non-personal notice deposits (M1A)	M1A plus other notice deposits and personal term deposits (M2)	M2 plus other non-personal fixed-term deposits + foreign currency deposits of residents (M3)	Currency + total Canadian dollar privately held chartered bank deposits
1966.....	3,599	2,361	7,209	—	—	—	19,748
1967.....	3,880	2,585	7,897	—	—	—	22,164
1968.....	3,912	2,774	8,251	8,902	22,086	—	25,051
1969.....	4,299	3,063	8,832	9,473	24,461	—	27,429
1970.....	4,534	3,273	9,053	9,714	26,230	32,924	29,310
1971.....	5,095	3,587	10,219	11,298	29,524	36,374	33,565
1972.....	5,896	4,073	11,679	12,703	32,708	41,491	39,525
1973.....	6,811	4,674	13,389	14,389	37,511	47,897	45,085
1974.....	7,729	5,341	14,634	15,650	45,152	60,139	54,625
1975.....	9,051	6,076	16,643	18,104	51,979	69,339	64,569
1976.....	10,117	6,766	17,985	19,467	58,731	82,306	75,760
1977.....	11,168	7,363	19,504	21,198	67,119	95,888	87,840
1978.....	12,550	8,140	21,472	23,531	74,586	109,622	99,002
1979.....	13,874	8,863	22,981	25,282	86,356	129,950	118,393
1980.....	14,943	9,445	24,400	27,574	102,527	152,837	139,787
1981.....	16,065	10,037	25,239	29,186	117,900	173,048	162,325
1982.....	16,226	10,594	25,211	30,617	129,081	180,558	171,774
1983.....	16,477	11,515	27,741	35,439	136,526	181,855	172,951
1984.....	16,553	12,410	28,715	40,609	142,570	185,609	176,154
1985.....	17,277	13,308	29,902	55,381	156,035	196,361	186,353
1986.....	18,437	14,312	31,342	68,615	169,534	209,068	197,883
1987.....	19,475	15,365	35,380	79,035	186,537	227,126	105,985

⁽¹⁾ Series unadjusted for changes in reserve requirements.

Source: Bank of Canada.

Table 78.1
Change in Monetary Aggregates
 1967 – 1987
 (per cent)

Year	Monetary base	Currency outside banks	Currency and demand deposits less private sector float (M1)	M1 plus daily interest chequable and non-personal notice deposits (M1A)	M1A plus other notice deposits and personal term deposits (M2)	M2 plus other non-personal fixed-term deposits + foreign currency deposits of residents (M3)	Currency + total Canadian dollar privately held chartered bank deposits
1967.....	7.8	9.5	9.5	—	—	—	12.2
1968.....	0.8	7.3	4.5	—	—	—	13.0
1969.....	9.9	10.4	7.0	6.4	10.8	—	9.5
1970.....	5.5	6.9	2.5	2.5	7.2	—	6.9
1971.....	12.4	9.6	12.9	16.3	12.6	10.5	14.5
1972.....	15.7	13.6	14.3	12.4	10.8	14.1	17.8
1973.....	15.5	14.8	14.6	13.3	14.7	15.4	14.1
1974.....	13.5	14.3	9.3	8.8	20.4	25.6	21.2
1975.....	17.1	13.8	13.7	15.7	15.1	15.3	18.2
1976.....	11.8	11.4	8.1	7.5	13.0	18.7	17.3
1977.....	10.4	8.8	8.4	8.9	14.3	16.5	15.9
1978.....	12.4	10.6	10.1	11.0	11.1	14.3	12.7
1979.....	10.5	8.9	7.0	7.4	15.8	18.5	19.6
1980.....	7.7	6.6	6.2	9.1	18.7	17.6	18.1
1981.....	7.5	6.3	3.4	5.8	15.0	13.2	16.1
1982.....	1.0	5.6	-0.1	4.9	9.5	4.3	5.8
1983.....	1.5	8.7	10.0	15.7	5.8	0.7	0.7
1984.....	0.5	7.8	3.5	14.6	4.4	2.1	1.9
1985.....	4.4	7.2	4.1	36.4	9.4	5.8	5.8
1986.....	6.7	7.5	4.8	23.9	8.7	6.5	6.2
1987.....	5.6	7.4	12.9	15.2	10.0	8.6	-46.4

Reference Table 79

Selected Interest Rates: Canada and United States

1971 – 1987

Average of last Wednesday of each month

(per cent)

Year	Canada							United States					
	Bank rate	3-month treasury bills	90-day prime corporate paper	Bank prime lending rate	5-year conventional mortgage rate	Government of Canada bonds: over 10 years	Corporate bonds (MYW)	Discount rate	Federal funds rate	90-day commercial paper (adjusted)	Bank prime lending rate	U.S. government long-term bond	Corporate bonds industrial average (Moody's)
1971.....	5.2	3.6	4.5	6.5	9.4	6.9	8.3	4.8	4.7	5.2	5.7	5.7	7.6
1972.....	4.8	3.6	5.1	6.0	9.2	7.2	8.3	4.5	4.5	4.8	5.3	5.6	7.4
1973.....	6.1	5.5	7.5	7.6	9.6	7.6	8.5	6.5	8.8	8.5	8.2	6.3	7.6
1974.....	8.5	7.8	10.5	10.8	11.2	8.9	10.2	7.9	10.4	10.3	10.8	7.0	8.8
1975.....	8.5	7.4	7.9	9.4	11.4	9.0	10.8	6.2	5.8	6.3	7.7	7.0	9.2
1976.....	9.3	8.9	9.2	10.0	11.8	9.2	10.5	5.5	5.1	5.3	6.8	6.8	8.8
1977.....	7.7	7.3	7.5	8.5	10.4	8.7	9.7	5.5	5.6	5.7	6.9	7.1	8.3
1978.....	9.0	8.7	8.8	9.7	10.6	9.3	10.0	7.5	8.0	8.3	9.2	7.9	8.9
1979.....	12.1	11.7	12.1	12.9	12.0	10.2	10.9	10.4	11.3	11.4	12.8	8.8	9.9
1980.....	12.9	12.8	13.2	14.3	14.3	12.5	13.2	11.8	13.2	13.0	15.4	10.8	12.4
1981.....	17.9	17.7	18.3	19.3	18.1	15.2	16.2	13.4	16.0	15.9	18.7	12.9	14.6
1982.....	14.0	13.6	14.1	15.8	17.9	14.3	15.9	10.9	11.9	12.1	14.6	12.2	14.4
1983.....	9.6	9.3	9.5	11.2	13.3	11.8	12.8	8.5	9.0	9.2	10.8	10.8	12.3
1984.....	11.3	11.1	11.2	12.1	13.6	12.8	13.6	8.8	10.1	10.4	12.0	12.0	13.2
1985.....	9.6	9.4	9.6	10.6	12.2	11.0	11.7	7.7	7.9	8.2	9.9	10.8	11.8
1986.....	9.2	9.0	9.2	10.5	11.2	9.5	10.8	6.3	6.9	6.7	8.3	8.1	9.9
1987.....	8.4	8.1	8.4	9.5	11.1	9.9	11.2	5.7	6.7	6.9	8.2	8.6	9.8
(Last Wednesdays)													
1987 JAN...	7.7	7.2	7.4	9.3	10.9	8.9	10.6	5.5	6.1	6.0	7.5	7.6	9.2
FEB...	7.6	7.3	7.4	9.3	10.5	9.1	10.7	5.5	5.9	6.2	7.5	7.7	9.3
MAR...	7.1	6.8	6.9	8.8	10.2	9.0	10.6	5.5	6.1	6.4	7.5	7.6	9.2
APR...	8.3	8.1	8.1	9.3	10.4	9.8	11.0	5.5	6.5	6.9	7.8	8.3	9.6
MAY...	8.5	8.2	8.3	9.5	11.0	9.9	11.0	5.5	6.8	7.2	8.3	8.8	9.9
JUN...	8.6	8.3	8.4	9.5	11.3	9.8	11.0	5.5	6.8	7.1	8.3	8.6	9.8
JUL...	8.8	9.0	9.2	9.5	11.3	10.2	11.3	5.5	6.6	6.8	8.3	8.7	9.9
AUG...	9.2	9.0	9.1	10.0	11.5	10.4	11.6	5.5	6.8	6.9	8.3	9.0	9.9
SEP...	9.6	9.4	9.6	10.0	11.7	11.1	12.0	6.0	7.6	8.0	8.8	9.6	10.5
OCT...	8.3	7.8	8.5	9.8	12.0	10.2	11.5	6.0	7.0	7.5	9.0	9.6	10.5
NOV...	8.5	8.3	8.7	9.8	11.5	10.5	11.8	6.0	6.8	7.3	8.8	9.0	10.2
DEC...	8.7	8.4	8.9	9.8	11.6	10.3	11.5	6.0	6.8	7.2	8.8	9.1	10.1
1988 JAN...	8.6	8.4	8.6	9.8	11.7	9.7	11.0	6.0	6.7	6.9	8.8	8.8	9.8
FEB...	8.6	8.3	8.6	9.8	11.5	9.6	11.0	6.0	6.6	6.6	8.5	8.4	9.7
MAR...	8.8	8.5	8.6	9.8	11.1	10.1	11.2	6.0	6.6	6.8	8.5	8.6	9.7
APR...	9.1	8.9	9.0	10.3	11.0	10.4	11.4	6.0	6.9	7.0	8.5	—	9.8
MAY...	9.1	8.9	9.1	10.3	11.3	10.4	11.3	6.0	7.1	7.4	9.0	—	10.0

Source: Bank of Canada.

Reference Table 80
Consumer Credit

1962 - 1987

(millions of dollars except where otherwise noted)

Year	Flows					Outstandings					Ratio of consumer credit to personal disposable income	Consumer debt service ⁽²⁾ %		
	Banks ⁽³⁾	Credit unions and caisses populaires	Quebec savings bank	Trust and mortgage loan companies	Insurance companies	Other lenders ⁽¹⁾	Banks ⁽³⁾	Credit unions and caisses populaires	Quebec savings bank	Trust and mortgage loan companies			Insurance companies	Other lenders ⁽¹⁾
1962	153	72	5	0	15	165	1,183	523	13	0	386	1,515	1.37	0.49
1963	249	91	0	0	16	170	1,432	614	14	0	401	1,684	1.66	0.46
1964	361	91	1	0	16	255	1,793	705	15	0	416	1,939	2.13	0.49
1965	393	108	0	0	10	235	2,241	813	16	0	431	2,174	2.00	0.53
1966	217	123	1	0	38	173	2,458	937	16	0	472	2,347	1.34	0.54
1967	522	188	2	0	31	61	2,980	1,094	17	0	510	2,408	1.81	0.58
1968	692	152	4	0	66	230	3,672	1,247	21	0	581	2,691	2.38	0.76
1969	485	148	7	0	105	405	4,157	1,401	24	0	694	3,096	2.20	0.89
1970	506	93	-2	0	100	-68	4,663	1,493	22	0	798	2,928	1.13	0.97
1971	1,114	197	3	0	25	-124	5,777	1,690	25	0	824	2,449	1.99	0.90
1972	1,366	307	6	0	19	286	7,144	2,000	30	46	854	3,403	2.84	0.89
1973	1,734	421	6	40	73	368	8,878	2,420	36	82	927	3,772	3.23	0.99
1974	1,939	352	6	64	178	159	10,817	2,762	44	145	1,117	3,941	2.80	1.22
1975	2,332	481	15	49	95	70	13,149	3,243	58	199	1,207	4,017	2.68	1.19
1976	2,965	639	14	123	85	62	16,114	3,884	72	288	1,290	4,079	3.03	1.22
1977	2,520	618	15	71	65	-15	18,634	4,512	87	368	1,371	4,054	2.32	1.18
1978	2,941	969	17	179	86	282	21,575	5,490	104	649	1,456	4,459	2.81	1.20
1979	3,507	728	37	335	196	117	25,081	6,218	141	981	1,657	4,565	2.74	1.59
1980	3,667	174	27	559	300	55	28,790	6,391	169	1,545	1,960	4,405	2.35	1.82
1981	2,554	178	-15	329	678	487	29,447	6,083	154	1,872	2,644	4,870	1.77	2.25
1982	213	-66	-24	161	210	-625	29,519	5,704	130	1,922	2,882	4,174	-0.05	1.95
1983	988	734	67	315	-42	-44	30,368	6,255	197	2,239	2,866	4,115	0.73	1.38
1984	2,966	875	-3	472	1	482	32,595	7,128	194	2,751	2,871	4,598	1.60	1.26
1985	4,118	1,114	38	1,007	-25	796	36,753	8,242	231	3,737	2,848	5,398	2.18	1.31
1986	3,606	804	58	1,349	0	1,283	40,381	8,276	296	4,971	2,846	6,657	2.09	1.35
1987	6,340	808	—	1,357	7	952	46,845	9,206	—	6,121	2,853	7,625	2.62	1.51

⁽¹⁾ Includes sales finance and consumer loan companies and other financial institutions.

⁽²⁾ Interest on consumer loans divided by personal disposable income.

⁽³⁾ Effective September 1987, Montreal City and District Savings Bank became part of the Chartered banks.
Source: Statistics Canada, *Financial Flow Accounts* (13-002), *National Balance Sheet Accounts* (13-214).

Reference Table 81
Mortgage Lending
1978 - 1987

(millions of dollars except where otherwise noted)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Flows										
Banks ⁽¹⁾	3,415	2,896	441	-2,339	-5,644	-4,171	1,040	6,431	9,155	11,752
Trust companies ⁽¹⁾⁽²⁾	4,271	5,661	5,566	5,395	6,401	10,716	2,435	4,019	7,032	8,738
Credit unions and caisses populaires.....	2,438	2,314	1,654	686	462	2,579	1,818	1,427	2,052	3,625
Insurance and pension institutions.....	2,235	2,340	2,102	1,950	1,469	1,522	565	2,247	4,178	3,873
Other private lenders:										
Mutual funds.....	363	71	-46	-166	-176	111	67	102	538	948
Property and casualty insurance companies.....	43	28	23	-1	-21	27	18	-5	165	63
Sales finance and consumer loan companies.....	67	97	67	95	-22	-97	-122	-140	-13	108
Quebec savings banks ⁽²⁾⁽³⁾	89	103	29	51	52	80	23	445	185	—
Non-financial private corporations.....	655	-70	63	976	391	174	-231	217	-162	122
Other private financial institutions.....	88	60	108	193	-35	13	-24	15	40	282
Government sector:										
Federal.....	-52	-49	-39	-38	-30	-23	-36	-33	-25	21
Federal enterprises.....	304	24	356	360	317	571	143	919	-506	-768
Provincial.....	114	27	108	287	433	148	33	-5	-88	82
Provincial enterprises.....	276	288	409	700	872	423	62	-2	-81	198
Total flows.....	14,306	13,790	10,841	8,149	4,469	12,073	5,791	15,637	22,470	29,044
Outstandings										
Banks ⁽¹⁾	15,162	18,058	18,457	17,551	12,316	8,150	38,174	44,602	53,755	66,848
Trust companies ⁽¹⁾⁽²⁾	30,000	35,646	41,156	44,731	51,304	62,024	37,101	40,984	50,072	59,603
Credit unions and caisses populaires.....	11,666	13,993	15,631	16,364	15,665	18,440	20,258	21,750	24,656	28,395
Insurance and pension institutions.....	19,247	21,674	23,748	25,714	26,807	28,327	28,880	31,117	34,487	38,630
Other private lenders:										
Mutual funds.....	1,339	1,421	1,375	1,208	1,030	1,142	1,209	1,327	1,930	2,880
Property and casualty insurance companies.....	331	361	384	375	353	382	401	396	561	626
Sales finance and consumer loan companies.....	1,000	1,089	1,465	1,311	904	804	681	541	528	661
Quebec savings banks ⁽²⁾⁽³⁾	760	863	892	2,638	2,691	2,771	2,794	3,237	1,349	—
Non-financial private corporations.....	2,925	3,231	4,143	5,470	5,295	5,231	5,502	5,974	5,806	5,993
Other private financial institutions.....	766	807	606	698	532	517	492	511	573	894
Government sector:										
Federal.....	427	377	337	300	263	240	204	171	147	115
Federal enterprises.....	10,806	10,830	11,186	11,545	11,861	12,497	12,502	13,207	12,914	12,245
Provincial.....	2,781	2,834	2,942	3,259	3,692	3,840	3,873	3,868	3,780	3,862
Provincial enterprises.....	1,029	1,276	1,830	2,782	3,301	4,216	4,258	4,256	4,278	4,476
Total outstandings.....	98,239	112,460	124,152	133,946	136,014	148,581	156,329	171,941	194,836	225,228
Ratio of mortgage credit to personal disposable income (per cent).....	9.0	7.7	5.3	3.4	1.7	4.4	1.9	4.8	6.6	8.0
Mortgage credit growth (per cent).....	17.0	14.5	10.4	7.9	1.5	9.2	5.2	10.0	13.3	15.6
Residential construction growth (per cent).....	6.7	6.9	2.5	18.2	-14.5	21.2	4.8	13.0	22.1	26.4

⁽¹⁾ Mortgage loan affiliates are consolidated with the banks and other mortgage loan companies with trust companies after 1984Q2.

⁽²⁾ The activity of Crédit Foncier, which was part of the trust and mortgage loan companies before 1981, was included with that of the Quebec savings bank between 1981Q4 and 1986Q1. Since then, Crédit Foncier is part of the trust companies.

⁽³⁾ Effective September 1987, Montreal City and District Savings Bank became part of the Chartered banks.

Source: Statistics Canada, *Financial Flow Accounts* (13-002); *National Balance Sheet Accounts* (13-214).

Reference Table 82
Non-Financial Private Business: Net New Borrowing by Instrument
 1978 — 1987

(millions of dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Flows										
Short-term instruments:										
Loans.....	4,141	12,747	11,119	21,461	646	-7,601	5,074	4,856	-2,150	6,332
Finance and other short-term										
paper.....	334	1,514	2,585	1,838	5,908	1,910	1,000	2,486	8,556	6,982
Sub-total.....	4,475	14,261	13,704	23,299	6,554	-5,691	6,074	7,342	6,406	13,314
Long-term instruments:										
Mortgages.....	1,257	870	1,788	1,599	1,337	1,367	649	2,607	3,264	5,678
Bonds.....	1,563	474	2,141	5,381	2,838	2,963	1,555	1,817	3,405	2,809
Stocks.....	4,782	5,260	5,563	6,643	3,805	6,095	8,796	10,839	13,042	10,619
Sub-total.....	7,602	6,604	9,492	13,623	7,980	10,425	11,000	15,263	19,711	19,106
Total: short-term and long-term										
instruments.....	12,077	20,865	23,196	36,922	14,534	4,734	17,074	22,605	26,117	32,420
Outstandings										
Short-term instruments:										
Loans.....	41,885	58,406	72,648	101,553	101,444	91,222	102,464	105,982	101,766	104,082
Finance and other short-term										
paper.....	3,170	4,684	7,269	9,107	15,015	16,925	17,925	20,411	26,959	32,802
Sub-total.....	45,055	63,090	79,917	110,660	116,459	108,147	120,389	126,393	128,725	136,884
Long-term instruments:										
Mortgages.....	24,047	25,304	26,174	27,773	29,110	30,488	31,140	33,694	36,832	42,442
Bonds.....	26,155	26,455	28,689	37,698	42,151	44,683	46,816	50,093	55,256	59,761
Stocks.....	133,018	156,026	182,520	209,360	210,740	222,901	247,948	277,659	305,210	334,742
Sub-total.....	183,220	207,785	237,383	274,831	282,001	298,072	325,904	361,446	397,298	436,945
Total: short-term and long-term										
instruments.....	228,275	270,875	317,300	385,491	398,460	406,219	446,293	487,839	526,023	573,829

Source: Statistics Canada, *Financial Flow Accounts (13-002)*; *National Balance Sheet Accounts (13-214)*.

Reference Table 83
Total Funds Intermediated by Financial Institutions (Flows)
1978 – 1987
(millions of dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
By instrument										
Consumer credit.....	3,274	4,474	4,920	4,782	4,211	-131	2,018	4,802	7,048	7,100
Bank loans.....	4,921	7,229	14,710	15,815	34,547	-7,394	-11,480	4,937	6,646	-5,349
Other loans.....	2,137	2,567	4,379	5,466	2,980	2,552	3,216	3,532	4,089	3,805
Treasury bills.....	1,228	979	707	2,226	506	5,257	5,980	1,649	2,112	4,799
Short-term paper.....	844	952	1,968	225	3,686	4,237	-2,163	1,577	2,995	6,457
Mortgages.....	13,318	13,593	13,883	10,693	6,923	3,673	11,774	8,313	15,448	22,882
Bonds.....	6,487	7,711	6,326	8,078	7,288	8,478	12,488	9,993	14,905	13,354
Stocks.....	2,224	6,221	1,822	3,583	4,506	2,494	7,916	9,290	11,926	12,635
Total.....	34,433	43,826	48,715	50,868	64,647	19,166	29,749	44,093	65,169	65,683
By institution										
Banks.....	13,395	20,369	21,187	18,487	37,093	-11,015	-12,698	8,316	21,348	9,247
Near-banks.....	8,883	9,337	10,999	11,910	8,930	12,347	21,399	11,071	10,590	15,298
Insurance companies and pension funds.....	6,911	8,030	10,760	11,970	12,697	11,642	15,586	17,020	19,928	21,409
Other private.....	2,775	3,742	3,498	4,713	3,377	2,086	2,927	5,200	9,465	18,076
Public financial institutions.....	2,469	2,348	2,271	3,788	2,550	4,106	2,535	2,486	3,838	1,653
Total.....	34,433	43,826	48,715	50,868	64,647	19,166	29,749	44,093	65,169	65,683

Source: Statistics Canada, *Financial Flow Accounts* (13-002).

Reference Table 84
Total Funds Intermediated by Financial Institutions (Outstandings)
 1978 — 1987
 (millions of dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
By instrument										
Consumer credit.....	33,733	38,643	43,260	45,070	44,331	46,040	50,137	57,209	63,427	72,650
Bank loans.....	57,890	72,411	88,786	127,706	125,582	112,133	122,565	128,505	119,285	120,321
Other loans.....	18,745	23,358	28,621	28,720	26,218	29,176	31,399	36,089	38,771	43,059
Treasury bills.....	7,559	8,614	11,088	11,769	17,304	24,146	26,288	28,322	33,646	30,440
Short-term paper.....	7,736	10,055	10,505	13,687	20,507	19,710	20,869	23,441	30,548	33,200
Mortgages.....	91,963	105,979	116,688	124,873	126,703	139,221	146,713	161,882	185,091	215,245
Bonds.....	56,709	63,030	71,261	77,624	86,538	98,853	109,571	125,063	140,574	154,448
Stocks.....	26,154	29,377	34,517	40,245	44,268	53,580	64,700	79,178	95,157	104,173
Total.....	300,489	351,467	404,726	469,694	491,451	522,859	572,242	639,689	706,499	773,536
By institution										
Banks.....	118,055	139,064	158,228	199,393	194,192	179,507	225,651	246,392	252,008	269,682
Near-banks.....	58,151	69,088	80,893	90,306	101,145	122,476	100,790	111,265	126,100	138,116
Insurance companies and pen- sion funds.....	73,993	86,338	98,796	111,043	127,761	145,067	166,425	190,390	213,330	240,972
Other private.....	37,295	42,456	48,373	47,371	47,734	52,549	57,751	67,997	88,529	100,972
Public financial institutions.....	24,399	26,866	30,894	33,828	37,337	40,566	42,983	47,610	49,472	51,436
Total.....	300,489	351,467	404,726	469,694	491,451	522,859	572,242	639,689	706,499	773,536

Source: Statistics Canada, *National Balance Sheet Accounts* (13-214).

Reference Table 85
Funds Raised in Canadian Financial Markets, by Instrument
 1978 – 1987
 (millions of dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Consumer credit.....	4,530	4,888	4,682	4,406	- 202	2,106	4,999	7,168	7,100	9,547
Bank loans.....	7,229	14,710	15,815	34,547	- 7,394	- 11,480	4,937	6,646	- 5,349	8,409
Other loans.....	7,178	6,480	7,747	7,375	6,679	3,998	6,967	10,191	3,050	9,157
Private corporations.....	924	2,041	1,152	3,150	2,206	263	2,589	2,230	168	4,003
Financial institutions.....	878	636	744	1,248	750	1,104	490	3,935	- 2,077	1,041
Others.....	5,376	3,803	5,851	2,977	4,223	2,631	3,888	4,026	4,959	4,113
Treasury bills.....	2,598	1,976	5,298	- 178	5,088	13,104	10,112	9,889	11,425	4,333
Short-term paper.....	2,485	3,582	5,778	3,724	10,011	6,179	4,528	4,518	15,958	11,331
Mortgages 14,339.....	13,651	11,277	8,957	4,785	12,333	8,300	15,837	22,778	29,849	
Bonds.....	17,445	13,985	18,339	32,552	34,348	27,870	27,213	34,901	32,096	30,655
Governments.....	11,648	8,440	10,442	18,806	23,513	20,829	21,375	28,879	18,977	23,757
Private corporations.....	1,563	474	2,141	5,381	2,838	2,963	1,555	1,817	3,405	2,809
Others.....	4,234	5,071	5,756	8,365	7,997	4,278	4,283	4,205	9,714	4,089
Stocks.....	8,735	7,417	8,012	13,450	7,385	13,387	16,483	25,151	33,861	27,418
Total all instruments.....	64,539	66,689	76,948	104,833	60,700	67,497	83,539	114,301	120,919	130,699

Source: Statistics Canada, *Financial Flow Accounts* (13-002).

Reference Table 86

Funds Raised in Canadian Financial Markets, by Borrower

1962 – 1987

(millions of dollars)

Year	Persons and unincorporated business	Non-financial private corporations	General government				Financial institutions	Non-residents	Total all sectors
			Total	Federal	(P-L-H)	Non-financial enterprises			
1962.....	1,758	2,053	1,745	828	774	143	564	5	6,125
1963.....	1,775	1,620	2,373	1,074	911	388	823	- 42	6,549
1964.....	2,986	2,351	1,854	476	1,054	324	1,089	526	8,806
1965.....	3,167	3,233	1,538	- 51	1,096	493	915	206	9,059
1966.....	2,429	3,304	2,768	577	1,421	770	630	486	9,617
1967.....	3,312	2,805	3,492	1,156	1,598	738	657	155	10,421
1968.....	3,778	2,551	3,587	1,387	1,439	761	1,016	585	11,517
1969.....	4,194	4,294	2,632	417	1,403	812	1,428	10	12,558
1970.....	2,916	3,707	3,754	1,801	1,366	587	252	264	10,893
1971.....	4,416	5,495	5,205	2,815	1,545	845	557	540	16,213
1972.....	7,603	3,828	5,196	1,609	2,274	1,313	1,326	332	18,285
1973.....	12,346	6,229	3,411	- 54	1,682	1,783	1,896	725	24,607
1974.....	13,148	9,363	8,564	4,396	2,482	1,686	2,999	1,454	35,528
1975.....	14,073	6,931	13,163	4,027	4,979	4,157	2,270	1,418	37,855
1976.....	18,205	9,220	15,138	4,148	4,129	6,861	3,789	1,441	47,793
1977.....	16,775	10,336	16,339	8,147	4,642	3,550	3,982	1,538	48,970
1978.....	20,368	12,077	24,260	13,887	4,646	5,727	6,243	1,591	64,539
1979.....	22,289	20,865	12,656	6,179	3,087	3,390	8,042	2,837	66,689
1980.....	19,462	23,196	21,693	12,472	5,039	4,182	7,898	4,699	76,948
1981.....	20,959	36,922	26,969	11,382	8,274	7,313	15,586	4,397	104,833
1982.....	- 466	14,534	37,134	18,986	11,227	6,921	9,179	319	60,700
1983.....	13,355	4,734	38,691	26,088	9,154	3,449	8,191	2,526	67,497
1984.....	13,098	17,074	38,735	25,830	8,875	4,030	10,976	3,656	83,539
1985.....	23,559	22,605	43,375	33,562	7,774	2,039	18,807	5,955	114,301
1986.....	30,580	26,117	36,708	19,049	13,258	4,401	27,039	475	120,919
1987.....	38,050	32,420	31,098	23,437	6,708	953	24,294	4,837	130,699

Source: Statistics Canada, *Financial Flow Accounts* (13-002).

Reference Table 87
Outstandings in Canadian Financial Markets, by Instrument
1980 – 1987
(millions of dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Consumer credit.....	44,862	46,867	46,043	47,842	52,222	59,294	65,512	74,735
Bank loans.....	88,786	127,706	125,582	112,133	122,565	128,505	119,285	120,321
Other loans:.....	53,704	58,343	60,420	64,430	69,318	80,865	82,242	91,287
Private corporations.....	17,398	17,240	17,512	17,740	20,963	21,508	21,710	25,435
Financial institutions.....	5,765	7,363	6,898	8,172	7,167	10,756	7,855	9,979
Others.....	30,541	33,740	36,010	38,518	41,188	48,601	52,677	55,873
Treasury bills.....	20,735	20,700	25,725	39,025	49,676	58,142	70,990	75,272
Short-term paper.....	22,174	22,354	28,941	34,475	33,012	36,895	50,251	61,183
Mortgages.....	134,569	145,152	147,492	160,361	168,177	184,155	207,137	237,842
Bonds:.....	198,694	226,505	262,286	290,974	319,976	360,526	399,730	431,454
Governments.....	112,138	127,301	151,755	173,689	193,446	225,639	247,481	271,351
Private corporations.....	28,689	37,698	42,151	44,683	46,816	50,093	55,256	59,761
Others.....	57,867	61,506	68,380	72,602	79,714	84,794	96,993	100,342
Stocks.....	264,058	315,986	328,837	365,813	406,448	459,603	515,926	564,105
Total all instruments.....	827,582	963,613	1,025,326	1,115,053	1,221,394	1,367,985	1,511,073	1,656,199

Source: Statistics Canada, *National Balance Sheet Accounts* (13-214).

Reference Table 88

Outstandings in Canadian Financial Markets, by Borrower

1962 – 1987

(millions of dollars)

Year	Persons and unincorporated business	Non-financial private corporations	General government				Financial institutions	Non-residents	Total all sectors
			Total	Federal	(P-L-H)	Non-financial enterprises			
1962.....	17,301	44,725	34,151	17,815	10,129	6,207	13,500	3,318	112,995
1963.....	19,378	47,841	36,770	18,888	11,046	6,836	15,253	3,891	123,133
1964.....	22,154	51,441	38,613	19,364	12,093	7,156	18,503	4,468	135,179
1965.....	25,349	60,038	40,216	19,313	13,254	7,649	19,952	4,728	150,283
1966.....	27,004	68,248	43,132	19,892	14,815	8,425	22,012	5,160	165,556
1967.....	30,478	73,258	46,732	21,048	16,521	9,163	23,498	5,193	179,159
1968.....	35,292	77,618	50,399	22,433	18,045	9,921	26,210	5,630	195,149
1969.....	38,864	86,019	53,019	22,851	19,439	10,729	29,007	5,865	212,774
1970.....	42,492	92,073	56,921	24,651	20,908	11,362	31,384	5,952	228,822
1971.....	47,329	98,529	62,172	27,468	22,497	12,207	34,098	6,774	248,902
1972.....	54,932	103,616	67,373	29,077	24,805	13,491	39,882	7,757	273,560
1973.....	61,880	120,788	71,025	29,026	26,673	15,326	44,797	8,943	307,433
1974.....	72,383	140,976	80,559	33,456	29,433	17,670	48,039	10,506	352,463
1975.....	87,549	150,716	93,636	37,487	34,300	21,849	53,925	12,286	398,112
1976.....	104,274	172,648	108,014	41,652	37,626	28,736	60,236	13,757	458,929
1977.....	118,690	194,653	124,756	49,777	42,739	32,240	67,247	16,374	521,720
1978.....	135,902	228,275	159,801	64,039	51,575	44,187	79,481	19,885	623,344
1979.....	155,731	270,875	171,003	70,147	54,258	46,598	95,498	23,474	716,581
1980.....	172,847	317,300	194,489	82,839	61,338	50,312	114,164	28,782	827,582
1981.....	185,317	385,491	213,649	94,329	67,118	52,202	146,107	33,049	963,613
1982.....	185,932	398,460	251,356	113,439	78,938	58,979	155,456	34,122	1,025,326
1983.....	198,885	406,219	291,632	141,340	87,857	62,435	181,076	37,241	1,115,053
1984.....	208,338	446,293	331,825	165,768	97,167	68,890	191,903	43,035	1,221,394
1985.....	233,152	487,839	378,417	199,080	107,944	71,393	217,770	50,807	1,367,985
1986.....	260,467	526,023	422,554	220,630	123,834	78,090	251,801	50,228	1,511,073
1987.....	299,586	573,829	452,856	241,658	130,742	80,456	276,027	53,901	1,656,199

Source: Statistics Canada, *National Balance Sheet Accounts* (13-214).

Reference Table 89
Consolidated National Balance Sheet
1962 – 1987
(millions of dollars)

Year	Non-financial assets	Net indebtedness to non-residents	Net national wealth	Financial assets	Financial liabilities	Net financial assets
1962.....	154,000	18,032	135,968	164,680	182,712	– 18,032
1963.....	166,093	18,984	147,109	183,174	202,158	– 18,984
1964.....	180,243	19,724	160,519	201,566	221,290	– 19,724
1965.....	201,131	21,961	179,170	223,132	245,093	– 21,961
1966.....	225,432	23,786	201,646	246,852	270,638	– 23,786
1967.....	245,799	25,582	220,217	270,593	296,175	– 25,582
1968.....	264,124	27,325	236,799	298,446	325,771	– 27,325
1969.....	290,845	29,371	261,474	328,005	357,376	– 29,371
1970.....	316,965	30,006	286,959	360,606	390,612	– 30,006
1971.....	352,699	31,695	321,004	398,770	430,465	– 31,695
1972.....	397,689	34,273	363,416	443,328	477,601	– 34,273
1973.....	471,144	36,934	434,210	507,873	544,807	– 36,934
1974.....	582,909	41,260	541,649	590,170	631,430	– 41,260
1975.....	678,304	49,569	628,735	659,725	709,294	– 49,569
1976.....	758,681	60,300	698,381	752,911	813,211	– 60,300
1977.....	847,949	67,459	780,490	856,138	923,597	– 67,459
1978.....	959,387	85,558	873,829	1,016,652	1,102,210	– 85,558
1979.....	1,104,796	99,419	1,005,377	1,172,209	1,271,628	– 99,419
1980.....	1,272,197	106,675	1,165,522	1,359,106	1,465,781	– 106,675
1981.....	1,457,109	131,257	1,325,852	1,560,433	1,691,690	– 131,257
1982.....	1,567,304	131,882	1,435,422	1,657,198	1,789,080	– 131,882
1983.....	1,663,822	140,954	1,522,868	1,784,896	1,925,850	– 140,954
1984.....	1,757,479	151,875	1,605,604	1,944,477	2,096,352	– 151,875
1985.....	1,867,051	171,830	1,695,221	2,149,614	2,321,444	– 171,830
1986.....	1,995,572	193,537	1,802,035	2,353,316	2,546,853	– 193,537
1987.....	2,163,338	214,090	1,949,248	2,572,942	2,787,032	– 214,090

Source: Statistics Canada, *National Balance Sheet Accounts* (13-214).

Reference Table 90
Recent OECD Economic Indicators
 1978 – 1987
 (per cent)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Growth in real GNP/GDP⁽¹⁾										
United States.....	5.3	2.5	-0.2	1.9	-2.5	3.6	6.8	3.0	2.9	2.9
Japan.....	5.2	5.2	4.3	3.7	3.1	3.3	5.0	4.8	2.5	4.2
Germany.....	3.3	4.0	1.5	0.0	-1.0	1.9	3.3	2.0	2.5	1.7
France.....	3.4	3.2	1.6	1.2	2.5	0.7	1.3	1.7	2.1	2.2
United Kingdom.....	3.6	2.1	-2.1	-0.9	1.1	3.5	2.1	3.9	2.9	3.6
Italy.....	2.7	4.9	3.9	1.1	0.2	1.1	3.2	2.9	2.9	3.1
Canada.....	4.6	3.9	1.5	3.7	-3.2	3.2	6.3	4.3	3.3	3.9
Seven major countries.....	4.3	4.4	2.7	2.4	1.1	2.8	4.4	4.2	2.8	3.8
Employment growth										
United States.....	4.4	2.9	0.5	1.1	-0.9	1.3	4.1	2.0	2.3	2.6
Japan.....	1.3	1.3	1.0	0.8	1.0	1.7	0.6	0.7	0.8	1.0
Germany.....	0.6	1.4	1.1	-0.7	-1.7	-1.5	0.1	0.7	1.0	0.7
France.....	0.3	0.1	0.2	-0.7	0.3	-0.3	-1.0	-0.2	0.2	-0.1
United Kingdom.....	0.8	1.3	-1.0	-3.4	-1.9	-0.6	1.8	1.4	0.6	1.8
Italy.....	0.7	1.0	0.8	0.5	0.6	0.5	0.8	0.6	0.9	0.2
Canada.....	3.5	4.1	3.0	2.8	-3.3	0.8	2.5	2.8	2.9	2.8
Seven major countries.....	3.5	2.5	0.6	0.9	-0.6	1.2	3.2	1.7	1.9	2.2
Unemployment rates⁽²⁾										
United States.....	6.1	5.8	7.2	7.6	9.7	9.6	7.5	7.1	7.0	6.2
Japan.....	2.2	2.1	2.0	2.2	2.3	2.7	2.7	2.6	2.8	2.8
Germany.....	3.7	3.3	3.3	4.6	6.7	8.2	8.2	8.3	8.0	7.9
France.....	5.4	6.0	6.4	7.6	8.2	8.4	9.9	10.2	10.5	10.6
United Kingdom.....	5.0	4.5	6.1	9.1	10.4	11.3	11.5	11.7	11.8	10.4
Italy.....	6.8	7.2	7.1	7.9	8.5	9.2	9.3	9.6	10.3	11.0
Canada.....	8.3	7.4	7.5	7.5	11.1	11.9	11.3	10.5	9.6	8.9
Seven major countries.....	5.2	5.0	5.8	6.4	8.0	8.3	7.3	7.2	7.1	6.7
Consumer Price Index Growth										
United States.....	7.6	11.2	13.5	10.3	6.1	3.2	4.3	3.6	1.9	3.6
Japan.....	3.9	3.6	8.0	4.9	2.6	1.8	2.3	2.0	0.4	-0.2
Germany.....	2.7	4.1	5.6	6.3	5.3	3.3	2.4	2.2	-0.2	0.3
France.....	9.3	10.6	13.5	13.3	12.0	9.5	7.7	5.8	2.5	3.3
United Kingdom.....	8.3	13.4	17.9	11.9	8.6	4.6	5.0	6.1	3.4	4.1
Italy.....	12.2	14.8	21.2	17.8	16.5	14.6	10.8	9.2	5.8	4.7
Canada.....	8.9	9.1	10.2	12.5	10.8	5.8	4.3	3.9	4.2	4.3
Seven major countries.....	6.8	9.1	12.2	9.8	6.9	4.4	4.6	4.0	2.1	2.9
Growth of productivity										
United States.....	0.9	-0.4	-0.6	0.8	-1.7	2.2	2.5	1.0	0.6	0.3
Japan.....	3.9	3.9	3.2	2.8	2.0	1.6	4.5	4.2	1.6	3.2
Germany.....	2.7	2.6	0.4	0.7	0.7	3.4	3.2	1.3	1.4	1.0
France.....	3.0	3.2	1.4	1.9	2.2	1.0	2.3	1.8	2.0	2.0
United Kingdom.....	2.7	1.4	-1.4	2.4	3.5	3.9	0.8	2.2	2.7	2.7
Italy.....	2.0	3.9	3.1	0.7	-0.3	0.6	2.4	2.3	1.9	2.9
Canada.....	1.1	-0.2	-1.5	0.9	0.0	2.4	3.7	1.4	0.5	1.1
Seven major countries.....	1.8	1.2	0.4	1.3	-0.1	2.1	2.9	1.8	1.2	1.4

⁽¹⁾ GNP numbers are reported for the United States, Japan and Germany, while GDP numbers are reported for France, the United Kingdom, Canada and Italy.

⁽²⁾ Unemployment rates are on the basis of national definitions.

Note: Averages for the seven major countries are calculated by using weights based on the GNP/GDP respective shares in 1982.

Source: OECD, *Economic Outlook*, Datatape June 1988.

Reference Table 91
Interest Rates and Exchange Rates for the Seven Major OECD Countries
 1978 – 1987
 (per cent)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Short-term interest rates										
United States.....	7.68	10.10	12.08	13.51	10.62	8.86	9.39	7.40	5.78	5.96
Japan.....	5.22	6.22	11.06	7.32	6.93	6.58	6.35	6.57	4.80	3.84
Germany.....	3.74	7.10	9.73	12.50	8.49	5.84	5.91	5.40	4.61	3.83
France.....	7.98	10.01	12.43	16.08	14.43	12.47	11.63	9.87	7.65	8.22
United Kingdom.....	9.00	13.49	14.85	13.29	11.12	9.33	9.08	11.63	10.09	9.01
Italy.....	12.10	12.64	16.26	20.40	18.95	17.59	15.14	13.62	11.21	10.80
Canada.....	8.90	11.75	13.39	17.26	13.43	9.32	11.12	9.43	8.84	8.21
Long-term interest rates										
United States.....	7.94	8.76	11.02	12.89	12.03	10.92	12.02	10.60	8.03	8.74
Japan.....	6.09	7.88	9.31	8.50	8.00	7.32	6.71	6.14	4.82	4.35
Germany.....	5.77	7.52	8.65	10.50	8.80	7.97	7.65	6.82	5.87	5.85
France.....	10.55	10.77	14.29	16.84	16.45	14.52	13.24	11.67	8.68	9.74
United Kingdom.....	12.13	11.16	12.11	13.27	11.59	9.99	10.13	10.04	9.44	9.34
Italy.....	13.09	13.24	15.49	19.78	19.93	18.12	15.31	13.69	11.16	10.56
Canada.....	9.31	10.33	12.60	15.36	14.06	11.76	12.79	10.96	9.41	10.06
Exchange rates(1)										
Japan.....	210.44	219.20	226.70	220.59	249.08	237.48	237.55	238.62	168.52	144.62
Germany.....	2.01	1.83	1.82	2.26	2.43	2.55	2.85	2.94	2.17	1.80
France.....	4.51	4.25	4.23	5.43	6.57	7.62	8.74	8.98	6.93	6.01
United Kingdom.....	0.52	0.47	0.43	0.47	0.57	0.66	0.75	0.78	0.68	0.61
Italy.....	848.72	830.92	856.44	1,136.55	1,352.66	1,518.94	1,756.73	1,909.41	1,491.05	1,296.97
Canada.....	1.14	1.17	1.17	1.20	1.23	1.23	1.29	1.37	1.39	1.33

(1) National currency per U.S. dollar
 Source: OECD, *Economic Outlook*, June 1988.

Reference Table 92

Current Account Balances of the Seven Major OECD Countries

1970 - 1987

Year	United States	Japan	Germany	France	United Kingdom	Italy	Canada
(billions of U.S. dollars)							
1970	2.3	2.0	0.9	0.1	1.9	0.8	1.1
1971	-1.4	5.8	0.8	0.5	2.7	1.6	0.4
1972	-5.8	6.6	0.9	0.3	0.5	2.0	-0.4
1973	7.1	-0.1	4.6	1.5	-2.5	-2.5	0.1
1974	2.1	-4.7	10.3	-3.9	-7.8	-8.0	-1.5
1975	18.3	-0.7	4.1	2.7	-3.5	-0.6	-4.7
1976	4.4	3.7	3.9	-3.4	-1.7	-2.8	-4.2
1977	-14.5	10.9	4.1	-0.4	-0.2	2.5	-4.1
1978	-15.4	16.5	9.0	7.0	1.9	6.2	-4.3
1979	-1.0	-8.8	-6.0	5.2	-1.4	5.5	-4.2
1980	1.9	-10.7	-15.7	-4.2	6.8	-10.3	-1.0
1981	6.3	4.8	-5.2	-4.7	12.7	-9.2	-5.1
1982	-8.1	6.8	4.1	-12.1	7.8	-6.4	2.4
1983	-46.6	20.8	4.1	-4.7	5.7	1.4	2.5
1984	-107.0	35.0	9.8	-0.8	2.7	-2.6	2.7
1985	-116.4	49.2	16.4	-0.2	4.2	-3.6	-0.9
1986	-141.4	85.8	39.1	2.9	0.1	4.0	-6.7
1987	-160.7	87.0	44.8	-4.6	-2.7	—	-7.2
(Per cent of GNP/GDP)							
1970	0.2	1.0	0.5	0.0	1.5	0.7	1.2
1971	-0.1	2.5	0.4	0.3	1.9	1.2	0.4
1972	-0.5	2.2	0.3	0.1	0.3	1.4	-0.4
1973	0.5	-0.0	1.3	0.6	-1.4	-1.4	0.1
1974	0.1	-1.0	2.7	-1.4	-3.9	-4.1	-1.0
1975	1.1	-0.1	1.0	0.8	-1.5	-0.3	-2.8
1976	0.2	0.7	0.9	-1.0	-0.7	-1.3	-2.1
1977	-0.7	1.6	0.8	-0.1	-0.1	1.0	-2.0
1978	-0.7	1.7	1.4	1.4	0.6	2.1	-2.0
1979	-0.0	-0.9	-0.8	0.9	-0.3	1.5	-1.8
1980	0.1	-1.0	-1.9	-0.6	1.3	-2.3	-0.4
1981	0.2	0.4	-0.8	-0.8	2.5	-2.2	-1.7
1982	-0.3	0.6	0.6	-2.2	1.6	-1.6	0.8
1983	-1.4	1.8	0.6	-0.9	1.2	0.3	0.8
1984	-2.8	2.8	1.6	-0.2	0.6	-0.6	0.8
1985	-2.9	3.7	2.6	-0.0	0.9	-0.8	-0.2
1986	-3.3	4.4	4.4	0.4	0.0	0.7	-1.8
1987	-3.6	3.7	4.0	-0.5	-0.4	—	-1.7

Source: OECD, *Economic Outlook*, June 1988.

Reference Table 93
International Comparisons of Government Budget Balances
as Percentages of Gross Domestic Product or Gross National Product
1970 – 1987

	Weighted average ⁽¹⁾	Canada	United States	United Kingdom	France	Germany	Italy	Japan
Central government								
1975	-3.9	-2.2	-4.3	-3.3	-1.9	-2.9	-7.4	-4.1
1976	-3.0	-1.7	-3.0	-4.1	-0.1	-2.2	-4.6	-4.4
1977	-2.8	-3.4	-2.3	-2.9	-0.7	-1.6	-4.9	-5.1
1978	2.9	-4.5	-1.3	-3.7	-1.3	-1.6	-11.0	-4.9
1979	-2.5	-3.4	-0.6	-2.7	-0.8	-1.5	-9.1	-5.8
1980	-3.0	-3.4	-2.2	-3.0	-0.2	-1.7	-7.5	-5.5
1981	-3.3	-2.1	-2.1	-4.2	-1.2	-2.1	-10.9	-5.3
1982	-4.5	-5.4	-4.6	-2.8	-2.0	-2.1	-11.1	-5.2
1983	-4.9	-6.2	-5.2	-3.4	-3.3	-1.6	-12.0	-4.9
1984	-4.4	-6.8	-4.5	-3.4	-3.2	-1.3	-11.9	-4.1
1985	-4.6	-6.6	-4.9	-2.6	-2.9	-1.0	-13.8	-3.8
1986	—	-4.8	-4.8	—	—	—	—	—
1987	—	-4.3	-3.4	—	—	—	—	—
Averages								
1970 – 1974	-0.7	0.2	-1.2	1.3	0.9	0.0	-3.8	-0.6
1975 – 1981	-3.1	-3.0	-2.3	-3.4	-0.9	-2.0	-7.9	-5.0
Total government								
1975	-4.4	-2.5	-4.1	-4.5	-2.2	-5.6	-12.4	-2.8
1976	-3.1	-1.8	-2.1	-4.9	-0.6	-3.4	-9.5	-3.7
1977	-2.3	-2.5	-1.0	-3.2	-0.8	-2.4	-8.4	-3.8
1978	-2.6	-3.2	0.0	-4.4	-2.1	-2.4	-10.3	-5.5
1979	-2.0	-2.0	0.5	-3.2	-0.8	-2.6	-10.1	-4.7
1980	-2.6	-2.8	-1.3	-3.4	-0.0	-2.9	-8.5	-4.4
1981	-2.7	-1.5	-1.0	-2.5	-1.9	-3.7	-11.5	-3.9
1982	-4.0	-5.9	-3.5	-2.4	-2.8	-3.3	-11.3	-3.6
1983	-4.1	-6.9	-3.8	-3.4	-3.1	-2.5	-10.7	-3.7
1984	-3.4	-6.5	-2.8	-3.9	-2.8	-1.9	-11.7	-2.1
1985	-3.3	-7.0	-3.3	-2.9	-2.8	-1.1	-12.6	-0.8
1986	-3.3	-5.4	-3.5	-2.7	-2.9	-1.2	-11.6	-1.1
1987	-2.5	-4.6	-2.4	-1.4	-2.3	-1.7	-10.6	-0.2
Averages								
1970 – 1974	-0.5	0.7	-0.6	-0.7	0.6	-0.1	-6.4	0.7
1975 – 1981	-2.8	-2.3	-1.3	-3.8	-1.2	-3.3	-10.1	-4.1

(¹) GDP/GNP weights expressed in U.S. dollars, based on 1980-1981 averages of exchange rates and GDP/GNP figures.

Source: OECD, *National Accounts of OECD Countries, 1973-1985*, Volume II; OECD, *Economic Outlook*, June 1988; Statistics Canada, *National Income and Expenditure Accounts* (13-001); U.S. Department of Commerce, *Survey of Current Business*.

Reference Table 94

**International Comparisons of Central Government Revenues and Expenditures
as Percentages of Gross Domestic Product or Gross National Product**

1970 – 1987

	Weighted average ⁽¹⁾	Canada	United States ⁽²⁾	United Kingdom	France	Germany	Italy	Japan
Revenues								
1975	17.4	18.5	18.5	30.1	20.1	13.9	19.3	8.7
1976	18.1	17.9	19.3	29.2	21.9	14.3	21.2	8.9
1977	18.1	16.8	19.5	29.0	21.1	14.8	22.8	8.7
1978	18.5	15.8	19.9	28.3	20.9	14.9	24.3	9.8
1979	18.8	15.7	20.5	29.2	21.3	14.8	24.0	9.7
1980	19.4	16.3	20.6	30.5	22.2	14.6	27.2	10.4
1981	20.1	18.3	21.4	32.1	22.7	14.5	28.0	10.8
1982	20.2	17.7	20.6	32.8	22.9	14.7	33.2	11.0
1983	19.9	17.2	19.9	31.9	22.1	14.9	33.6	11.6
1984	20.0	17.2	19.8	32.5	22.3	14.9	33.7	11.9
1985	20.3	17.3	20.3	32.9	22.3	14.8	33.9	12.1
1986	—	18.0	20.1	—	—	—	—	—
1987	—	18.0	20.9	—	—	—	—	—
Averages								
1970 – 1974	18.0	18.2	19.3	29.7	21.3	14.3	17.6	10.0
1975 – 1981	18.7	17.1	20.0	29.8	21.5	14.5	23.8	9.6
Expenditures								
1975	21.4	20.8	22.9	33.4	22.0	16.9	26.6	12.8
1976	21.1	19.6	22.3	33.2	22.0	16.5	25.8	13.3
1977	21.0	20.2	21.8	31.9	21.8	16.4	27.7	13.8
1978	21.4	20.3	21.2	32.0	22.1	16.5	35.3	14.8
1979	21.3	19.1	21.1	31.9	22.2	16.3	33.1	15.5
1980	22.4	19.8	22.9	33.5	22.4	16.3	34.7	15.9
1981	23.4	20.3	23.5	36.3	23.9	16.6	38.9	16.1
1982	25.6	23.1	25.2	35.6	24.8	16.8	44.3	16.3
1983	24.8	23.3	25.1	35.3	25.3	16.4	45.6	16.5
1984	24.4	24.0	24.3	35.9	25.4	16.2	45.7	16.0
1985	24.7	24.0	25.1	35.5	25.2	15.8	47.7	15.8
1986	—	22.8	24.9	—	—	—	—	—
1987	—	22.3	24.2	—	—	—	—	—
Averages								
1970 – 1974	18.7	18.0	20.5	28.5	20.4	14.3	21.4	10.7
1975 – 1981	21.7	20.0	22.2	33.2	22.3	16.5	31.7	14.6

⁽¹⁾ GDP/GNP weights expressed in U.S. dollars, based on 1980-1981 averages of exchange rates and GDP/GNP figures.

⁽²⁾ To conform to Canadian national accounts conventions and to facilitate Canada-United States comparisons, the current surpluses of government enterprises and interest and dividends received by governments have been added to government revenues and expenditures. In the U.S. national accounts, these items are netted out of subsidies and interest payments respectively. In addition, expenditures on the postal service have been excluded from the data for the United States.

Source: OECD, *National Accounts of OECD Countries, 1973-1985*, Volume II; OECD *Economic Outlook*, June 1988; Statistics Canada, *National Income and Expenditure Accounts* (13-001); U.S. Department of Commerce, *Survey of Current Business*.

Reference Table 95

**International Comparisons of Total Government Revenues and Expenditures
as Percentages of Gross Domestic Product or Gross National Product
1970 – 1987**

	Weighted average ⁽¹⁾	Canada	United States ⁽²⁾	United Kingdom	France	Germany	Italy	Japan
Revenues								
1975	33.1	37.4	31.2	39.8	41.2	43.3	27.8	24.5
1976	33.8	37.1	32.1	39.3	43.2	44.5	29.2	24.1
1977	34.2	37.4	32.3	38.4	42.8	45.7	30.3	25.2
1978	34.1	37.0	32.4	37.1	42.5	45.2	31.8	25.0
1979	34.7	36.7	32.8	37.8	44.1	45.0	31.5	26.8
1980	35.7	37.5	33.2	39.7	46.1	45.3	33.3	28.2
1981	36.7	39.8	34.1	41.8	46.7	45.5	34.3	29.7
1982	37.1	40.4	34.0	42.3	47.6	46.2	36.5	30.1
1983	37.1	40.0	33.7	41.7	48.2	45.7	38.3	30.4
1984	37.3	40.0	33.7	41.6	49.2	45.7	38.2	31.1
1985	37.8	39.8	34.5	41.5	49.3	46.0	38.8	31.8
1986	37.7	40.6	34.5	40.5	48.8	45.2	39.7	31.9
1987	39.1	40.7	35.5	39.9	49.1	44.8	40.4	33.2
Averages								
1970 – 1974	32.3	36.6	31.7	37.4	39.1	41.1	27.3	22.6
1975 – 1981	34.6	37.6	32.6	39.1	43.8	44.9	31.2	26.2
Expenditures								
1975	37.5	39.9	35.2	44.4	43.4	48.9	40.2	27.3
1976	36.9	38.9	34.3	44.2	43.8	47.8	38.7	27.7
1977	36.5	39.9	33.3	41.6	43.6	48.1	38.7	29.0
1978	36.7	40.1	32.4	41.4	44.6	47.6	42.2	30.5
1979	36.7	38.8	32.4	41.0	45.0	47.5	41.6	31.6
1980	38.2	40.3	34.4	43.1	46.1	48.2	41.9	32.6
1981	39.4	41.3	35.1	44.3	48.6	49.1	45.8	33.6
1982	41.1	46.3	37.5	44.7	50.3	49.5	47.8	33.7
1983	41.2	46.9	37.5	45.1	51.4	48.2	49.0	34.1
1984	40.7	46.5	36.5	45.5	52.0	47.6	49.9	33.2
1985	41.1	46.8	37.8	44.3	52.1	47.1	51.5	32.6
1986	41.0	46.1	38.0	43.2	51.8	46.4	51.4	33.0
1987	40.8	45.3	37.8	41.3	51.4	46.5	51.0	33.4
Averages								
1970 – 1974	32.8	35.9	32.2	38.1	38.5	41.2	33.7	21.9
1975 – 1981	37.4	39.9	33.9	42.9	45.0	48.2	41.3	30.3

⁽¹⁾ See Table 94.⁽²⁾ See Table 94.

Source: OECD, *National Accounts of OECD Countries, 1973-1985*, Volume II; OECD, *Economic Outlook*, June 1988; Statistics Canada, *National Income and Expenditure Accounts* (13-001); U.S. Department of Commerce, *Survey of Current Business*.

Reference Table 96

International Comparisons of Government Tax Revenues⁽¹⁾
as Percentages of Gross Domestic Product or Gross National Product
1970 – 1987

	Weighted average ⁽²⁾	Canada	United States	United Kingdom	France	Germany	Italy	Japan
Central government								
1975.....	16.6	16.9	18.3	26.3	18.4	13.0	14.6	10.0
1976.....	17.1	16.3	19.0	25.2	19.7	13.3	16.4	10.3
1977.....	17.3	15.1	19.2	25.1	19.1	13.7	18.0	10.3
1978.....	17.6	14.0	19.5	24.5	19.0	13.5	19.3	11.7
1979.....	17.8	14.0	20.0	25.5	19.5	13.4	18.4	11.5
1980.....	18.3	14.6	20.1	26.5	20.2	13.3	20.3	12.1
1981.....	18.8	16.5	20.7	27.8	20.2	13.2	21.5	12.2
1982.....	18.5	16.1	19.8	28.4	20.5	12.9	23.2	12.2
1983.....	18.4	15.4	19.2	27.8	20.3	12.9	25.1	12.6
1984.....	18.3	15.3	19.0	28.3	20.2	12.9	24.8	12.7
1985.....	18.5	15.5	19.4	28.3	20.1	12.8	24.9	12.8
1986.....	—	16.2	19.4	—	—	—	—	—
1987.....	—	16.2	20.2	—	—	—	—	—
Averages								
1970 – 1974.....	17.3	16.4	19.1	25.7	19.6	13.3	14.3	11.3
1975 – 1981.....	17.6	15.3	19.5	25.9	19.4	13.3	18.4	11.2
Total government								
1975.....	30.4	31.1	28.9	35.6	37.9	40.9	25.5	22.5
1976.....	31.0	30.7	29.6	34.9	39.8	42.1	27.1	22.0
1977.....	31.4	30.6	29.8	34.2	39.5	43.2	28.2	23.0
1978.....	31.1	29.5	29.7	33.1	39.4	42.4	29.5	22.7
1979.....	31.6	29.1	29.9	33.7	41.0	42.2	29.2	24.4
1980.....	32.3	29.5	30.0	35.3	42.6	42.4	30.9	25.4
1981.....	33.1	31.7	30.6	37.3	42.6	42.4	31.8	26.7
1982.....	33.2	32.1	30.0	37.8	43.6	42.5	34.1	26.9
1983.....	33.1	31.3	29.6	37.6	44.3	42.0	35.7	27.1
1984.....	33.2	31.3	29.5	37.7	45.3	42.0	35.7	27.6
1985.....	33.6	31.4	30.0	37.4	45.2	42.3	35.8	28.2
1986.....	33.5	32.7	30.0	37.1	44.7	41.6	36.2	28.2
1987.....	34.2	33.1	31.0	36.7	45.2	41.6	37.1	29.4
Averages								
1970 – 1974.....	29.8	30.9	29.6	33.2	36.1	38.7	24.8	20.9
1975 – 1981.....	31.6	30.3	29.8	34.9	40.4	42.2	28.9	23.8

⁽¹⁾ Total tax revenues consist of direct taxes on persons and corporations, indirect taxes, and social security contributions.

⁽²⁾ GDP/GNP weights expressed in U.S. dollars, based on
1978-1979 averages of exchange rates and GDP/GNP figures.

Source: OECD, *National Accounts of OECD Countries, 1973-1985*, Volume II; OECD, *Economic Outlook*, June 1988; Statistics Canada, *National Income and Expenditure Accounts* (13-001); U.S. Department of Commerce, *Survey of Current Business*.

Reference Table 97

**International Comparisons of Total Government Principal Tax Revenues
as Percentages of Gross Domestic Product or Gross National Product
1970 – 1987**

	Canada	United States	United Kingdom	France	Germany	Italy	Japan
Taxes on individuals⁽¹⁾							
1970.....	9.9	9.8	11.1	4.6	8.9	3.7	4.0
1975.....	10.5	9.0	14.2	5.1	10.6	4.6	5.0
1980.....	10.4	10.8	11.1	6.0	10.9	8.4	6.2
1981.....	11.0	11.1	11.4	6.2	10.5	9.5	6.6
1982.....	11.7	11.0	11.3	6.3	10.4	10.3	6.7
1983.....	11.4	10.2	11.0	6.7	10.1	11.1	6.9
1984.....	11.2	9.8	10.7	6.9	10.1	10.8	6.8
1985.....	11.3	10.3	10.6	6.7	10.2	10.8	6.7
1986.....	12.3	10.2	10.8	6.7	10.0	10.8	6.9
1987.....	12.7	10.6	10.6	6.8	10.1	11.0	7.2
Taxes on corporations							
1970.....	3.4	3.4	3.1	2.4	1.8	1.0	4.2
1975.....	4.4	3.2	1.6	2.3	1.4	1.1	4.5
1980.....	3.9	3.1	2.3	2.3	1.8	1.2	4.6
1981.....	3.6	2.7	2.9	2.4	1.7	1.4	4.7
1982.....	3.1	2.0	3.2	2.5	1.7	1.5	4.7
1983.....	3.0	2.3	3.4	2.2	1.8	1.3	4.7
1984.....	3.4	2.5	3.8	2.4	2.0	1.9	5.0
1985.....	3.2	2.4	4.0	2.5	2.2	2.3	5.4
1986.....	2.9	2.5	3.0	2.5	2.1	2.1	5.3
1987.....	2.7	3.0	2.8	2.6	2.1	2.4	6.1

⁽¹⁾ Excluding succession duties, estate taxes, and the withholding tax in Canada, and estate and gift taxes and other personal taxes in the United States.

Reference Table 97 (continued)

**International Comparisons of Total Government Principal Tax Revenues
as Percentages of Gross Domestic Product or Gross National Product
1970 – 1987**

	Canada	United States	United Kingdom	France	Germany	Italy	Japan
Social security contributions⁽²⁾							
1970	2.8	6.1	5.1	14.1	12.6	10.5	4.3
1975	3.5	7.4	6.5	16.6	16.3	12.3	6.4
1980	3.4	7.9	6.0	19.6	16.8	12.7	7.3
1981	3.8	8.2	6.3	19.6	17.4	12.8	7.8
1982	4.0	8.5	6.5	20.2	17.8	13.7	8.0
1983	4.2	8.5	6.9	20.7	17.3	14.1	8.2
1984	4.2	8.6	6.9	21.0	17.2	13.7	8.1
1985	4.3	8.8	6.8	21.1	17.3	13.7	8.2
1986	4.5	8.8	6.9	21.0	17.3	14.1	8.4
1987	4.5	8.8	6.9	21.1	17.3	14.1	8.4
Indirect taxes							
1970	13.4	9.2	16.0	15.1	13.2	9.5	7.1
1975	12.4	8.7	13.3	14.0	12.7	7.5	6.6
1980	11.5	7.6	15.8	14.6	13.0	8.6	7.4
1981	12.9	8.0	16.8	14.4	12.8	8.2	7.6
1982	12.9	8.0	16.8	14.6	12.6	8.6	7.5
1983	12.4	8.1	16.3	14.6	12.8	9.2	7.4
1984	12.4	8.1	16.3	15.0	12.8	9.3	7.7
1985	12.3	8.1	16.0	14.9	12.5	9.0	7.8
1986	12.6	8.1	16.5	14.5	12.1	9.2	7.6
1987	12.8	8.1	16.4	14.7	12.1	9.6	7.7
Total taxes⁽³⁾							
1970	30.1	29.3	35.2	36.2	36.5	24.7	19.7
1975	31.1	28.9	35.6	37.9	40.9	25.5	22.5
1980	29.5	30.0	35.3	42.6	42.4	30.9	25.4
1981	31.7	30.6	37.3	42.6	42.4	31.8	26.7
1982	32.1	30.0	37.8	43.6	42.5	34.1	26.9
1983	31.3	29.6	37.6	44.3	42.0	35.7	27.1
1984	31.3	29.5	37.7	45.3	42.0	35.7	27.6
1985	31.4	30.0	37.4	45.2	42.3	35.8	28.2
1986	32.7	30.0	37.1	44.7	41.6	36.2	28.2
1987	33.1	31.0	36.7	45.2	41.6	37.1	29.4

⁽²⁾ Social security contributions in Canada consist of: employer/employee contributions to the CPP/QPP; employer/employee contributions to federal pension funds; employer/employee contributions to the unemployment insurance fund; employer/employee contributions to PLH public service pensions; and workers compensation and industrial vacation claims.

⁽³⁾ Total taxes include those taxes listed in note (1).

Source: OECD Economic Outlook, June 1988; Statistics Canada, *National Income and Expenditure Accounts* (13-001); U.S. Department of Commerce, *Survey of Current Business*.

Reference Table 98

International Comparisons of Total Government Principal Tax Shares as Percentages of Total Tax Revenues

1970 – 1987

(per cent)

	Canada ⁽¹⁾	United States ⁽¹⁾	United Kingdom	France	Germany	Italy	Japan
Taxes on individuals⁽²⁾							
1970.....	32.9	33.6	31.4	12.8	24.5	14.8	20.2
1975.....	33.8	31.0	40.0	13.3	26.0	18.2	22.3
1980.....	35.2	35.9	31.4	14.2	25.6	27.1	24.4
1981.....	34.8	36.4	30.5	14.5	24.8	29.7	24.7
1982.....	36.6	36.7	29.9	14.5	24.4	30.2	24.9
1983.....	36.5	34.4	29.2	15.1	24.0	31.0	25.6
1984.....	35.6	33.3	28.5	15.2	23.9	30.2	24.6
1985.....	36.1	34.2	28.3	14.8	24.2	30.2	23.7
1986.....	37.6	33.9	29.0	15.0	24.1	30.0	24.6
1987.....	38.5	34.3	29.0	15.0	24.2	29.6	24.6
Taxes on corporations							
1970.....	11.5	11.6	8.8	6.5	5.0	4.1	21.6
1975.....	14.0	11.0	4.6	6.0	3.4	4.2	20.0
1980.....	13.2	10.4	6.5	5.5	4.2	3.9	18.0
1981.....	11.4	8.7	7.7	5.6	3.9	4.4	17.7
1982.....	9.8	6.6	8.6	5.7	4.0	4.4	17.4
1983.....	9.7	7.7	9.0	5.0	4.2	3.7	17.3
1984.....	10.8	8.4	10.0	5.3	4.6	5.3	18.1
1985.....	10.2	8.0	10.7	5.6	5.3	6.4	19.2
1986.....	8.9	8.3	8.2	5.6	5.1	5.8	18.9
1987.....	8.3	9.8	7.7	5.7	5.0	6.6	20.7
Social security contributions⁽³⁾							
1970.....	9.2	20.9	14.4	39.0	34.4	42.5	22.0
1975.....	11.2	25.6	18.2	43.8	39.8	48.4	28.5
1980.....	11.6	26.4	17.1	46.0	39.5	41.3	28.7
1981.....	12.1	26.9	16.8	46.0	41.0	40.1	29.3
1982.....	12.4	28.4	17.2	46.3	41.9	40.3	29.8
1983.....	13.5	28.9	18.3	46.8	41.3	39.5	30.1
1984.....	13.3	29.2	18.3	46.4	41.0	38.3	29.4
1985.....	13.8	29.3	18.3	46.7	41.0	38.2	29.2
1986.....	13.7	29.4	18.5	46.9	41.6	38.9	29.6
1987.....	13.7	28.4	18.7	46.7	41.6	38.0	28.7
Indirect taxes							
1970.....	44.5	31.3	45.3	41.7	36.1	38.5	36.2
1975.....	39.9	30.0	37.3	36.6	30.9	29.2	29.2
1980.....	38.9	25.5	44.9	34.3	30.7	27.8	29.0
1981.....	40.8	26.3	45.0	33.9	30.3	25.7	28.4
1982.....	40.2	26.5	44.4	33.6	29.7	25.1	27.9
1983.....	39.5	27.4	43.5	33.1	30.4	25.7	27.1
1984.....	39.5	27.5	43.2	33.1	30.4	26.2	27.8
1985.....	39.2	27.0	42.8	33.0	29.5	25.2	27.8
1986.....	38.7	26.9	44.4	32.5	29.2	25.3	26.9
1987.....	38.8	26.0	44.6	32.6	29.2	25.8	26.0

⁽¹⁾ Components may not sum to 100 per cent of total taxes due to the exclusion of those taxes in note (2) from taxes on individuals.

⁽²⁾ Excluding succession duties, estate taxes and the withholding tax in Canada, and estate and gift taxes and other personal taxes in the United States.

⁽³⁾ see note (2) Table 97.

Source: OECD Economic Outlook, June 1988; Statistics Canada, National Income and Expenditure Accounts

CAI
FN
-E16

Quarterly Economic Review

September 1988

Canada

Quarterly Economic Review

September 1988



Department of Finance
Canada

Ministère des Finances
Canada

Cette publication est également offerte en français

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, the Organization for Economic Cooperation and Development (OECD) and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is September 9, 1988.

Comments or questions should be directed to Richard Egelton (613-992-9324), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Contents

1. The Economy in Brief	1
Real gross domestic product (GDP) increased a strong 3.9% (annual rate) in the second quarter of this year, led by a surge in final domestic demand. Growth in the economy was much more robust than most forecasters expected.	
2. Personal Sector	5
Consumer expenditure rebounded in the second quarter after a modest decrease in the previous quarter. Spending on cars and other automotive products continued to lead growth while spending on other goods rose more moderately.	
3. Housing Sector	9
Residential investment decreased in the second quarter, but the housing market remained healthy. Housing starts averaged 228,000 units (annual rate), up sharply from 199,000 in the first quarter.	
4. Business Non-Residential Investment	13
Business investment was the strongest growing sector of the Canadian economy in the second quarter, accounting for over 60% of real GDP growth. According to Statistics Canada's Private and Public Investment Survey, nominal business investment in 1988 will be up almost 21%.	
5. Business Inventories	17
Investment in business inventories remained very modest during the second quarter, with a real accumulation of \$0.9 billion	
6. Government Sector	19
The federal government deficit on a Canadian Income and Expenditure Accounts basis averaged \$21.7 billion in the first half of 1988, down \$1.7 billion from the average 1987 level.	
7. Foreign Trade	21
The current account deficit rose to \$9.1 billion in the second quarter from \$6.6 billion in the first quarter. A drop in investment income received from non-residents, from an abnormally high first quarter level, and a widening in the travel deficit following the end of Calgary Olympics, are mainly responsible for the change.	
8. The Labour Market	23
The unemployment rate in August stood at 8.0% down significantly from the 8.7% level a year ago. The average duration of unemployment is currently 18.0 weeks, down almost three weeks during the past year.	
9. Price and Wage Sector	25
Since July 1987, the year-over-year growth of the CPI has declined progressively to 3.8% in July of this year; excluding food and energy, the CPI has remained at around 4.5%. Growth of labour costs per unit of output decreased to 2.2% (year-over-year) in the second quarter, from 2.5% in the previous quarter. However, a rising trend in private sector wage settlements is a concern for future cost increases.	
10. Financial Sector	29
Interest rates have risen in both the United States and Canada since the beginning of the year, but more so in the U.S. Despite a decline in the short - term interest rate differential, the Canadian dollar reached over U.S. \$0.83 in early August before decreasing to around U.S. \$0.81 currently.	

Special Report

11. The Canadian Current Account: Issues and Implications 33

This special report presents a historical profile of the current account with emphasis on the importance of trade with overseas economies in the overall current account movements since 1984. The implications of the current account deficit and the net foreign indebtedness are examined.

1. The Economy in Brief

Highlights of the Second Quarter

- In the second quarter, the Canadian economy continued to outperform the expectations of most forecasters, as real gross domestic product (GDP) advanced at a robust annual rate of 3.9%. The strength in the economy was largely domestically based, with final domestic demand rising by 4.8%.
- Continued rapid growth in business non-residential investment and a strong rebound in consumer expenditure provided the primary impetus to growth in the quarter. Business non-residential investment has risen at an average annual rate of 18.0% since the end of 1986.
- During the first eight months of this year, employment rose 177,000, slightly outpacing the rapid growth in the labour force and the unemployment rate moved between 7.6 and 8.1%. However, the August unemployment rate of 8.0% was down significantly from the 8.7% level in August 1987.
- The rate of consumer price inflation fluctuated in a narrow range between 3.8 and 4.1% during the first seven months of 1988. Although growth in unit labour costs remains modest, signals of potential inflation pressure, such as rising private sector wage settlements, are a continuing concern.
- Reflecting continuing strong economic growth and growing concern with inflation, interest rates in Canada, as in most other major industrial countries, have risen since the beginning of the year.

Summary

The economy grew a healthy 3.5% in the first half of the year as final domestic demand increased strongly (Chart 1.1). Although noticeably slower than the very rapid pace in 1987, real GDP growth of 3.2 and 3.9% in the first and second quarters respectively was much stronger than expected, and exceeds the potential growth rate for the Canadian economy. The more rapid growth in real GDP in the second quarter reflects continued double-digit growth in business investment and a turnaround in consumer expenditure, following a slight decrease in the first quarter.

The housing market remained healthy, as housing starts averaged 228,000 units in the quarter, up sharply from 199,000 in the first quarter. Nevertheless, residential investment decreased slightly as a sharp decline in new housing construction, reflecting the effects of

Chart 1.1

Change in Real Gross Domestic Product and Final Domestic Demand

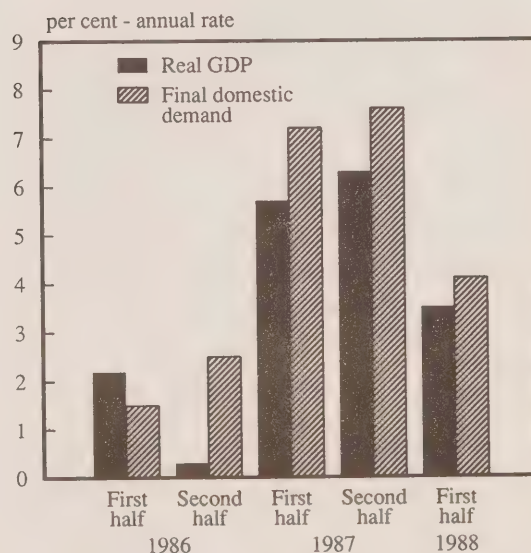


Chart 1.2

Business Investment Intentions, by Region

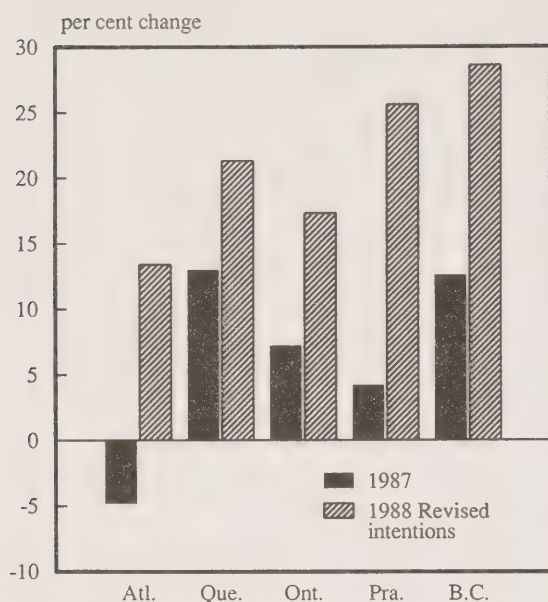
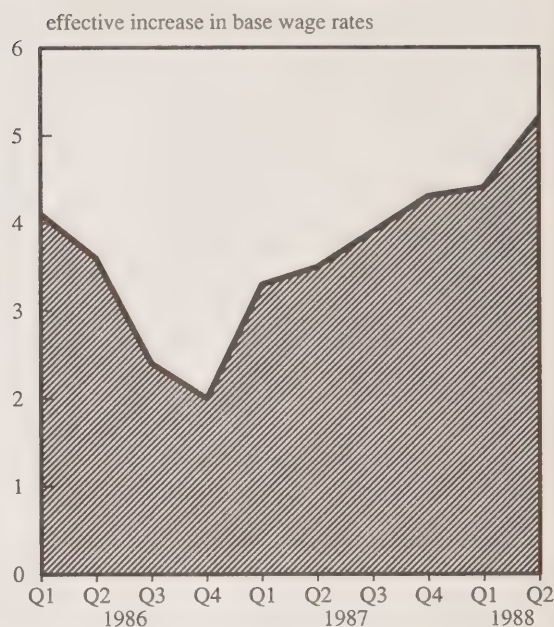


Chart 1.3

Private Sector Wage Settlements



Main Economic Indicators

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1986	1987	1987				1988	
			Q1	Q2	Q3	Q4	Q1	Q2
Real gross domestic product	3.2	4.0	6.4	5.1	6.2	6.5	3.2	3.9
Final domestic demand	3.8	5.2	5.7	8.7	7.2	8.0	3.5	4.8
Consumption	4.3	4.7	5.0	8.0	5.0	6.6	-0.3	3.7
Residential construction	13.3	15.7	23.1	26.3	15.7	-4.2	0.5	-1.6
Business fixed investment	3.2	8.8	3.6	20.3	23.8	28.0	16.9	16.9
Non-residential construction	-5.4	1.0	-9.6	25.9	31.6	17.9	4.5	11.2
Machinery and equipment	10.6	14.6	13.3	16.8	19.0	35.0	25.4	20.5
Business inventory investment (\$b,a,r.)	3.4	1.6	0.5	0.7	0.9	4.1	0.7	1.0
Non-farm	1.8	1.8	0.5	1.0	0.9	4.7	4.2	4.1
Trade balance (\$b,a,r.)	13.8	11.5	15.2	11.9	11.5	7.3	10.0	8.3
Current account balance (\$b,current,a,r.)	-10.5	-10.6	-7.5	-10.3	-11.1	-13.4	-6.6	-9.1
Incomes								
Real personal disposable income	1.4	3.1	6.8	4.6	0.8	3.8	0.3	1.7
Profits before taxes	-5.4	24.1	22.3	42.0	18.1	18.1	-0.8	13.6
Costs and prices (% ,Y/Y)								
GDP price deflator	2.5	4.3	3.8	4.7	4.3	4.4	4.1	3.6
Consumer price index	4.1	4.4	4.0	4.6	4.6	4.2	4.1	4.0
CPI - energy	-7.1	2.6	-9.8	4.1	8.1	9.9	4.5	1.9
CPI - excluding food and energy	5.3	4.6	5.1	4.4	4.4	4.3	4.6	4.8
Unit labour costs	3.4	3.5	4.3	4.6	3.3	1.9	2.5	2.2
Labour Market								
Unemployment rate	9.6	8.9	9.6	9.0	8.7	8.2	7.9	7.7
Employment	2.9	2.8	3.3	4.5	2.9	4.9	4.5	2.0
Financial developments								
Exchange rate (end of period) (U.S. cents)	72.44	76.96	76.60	75.08	76.26	76.96	80.98	82.41
Prime interest rate (end of period)	9.75	9.75	8.75	9.50	10.00	9.75	9.75	10.75

Sources: Statistics Canada and Bank of Canada.

the fall in housing starts in the previous two quarters, was only partially offset by continued strength in alterations and improvements and real estate commissions.

The current account deficit increased to \$9.1 billion, a \$2.5 billion rise from the previous quarter, due to a sharp contraction in investment income receipts (after a \$3.7 billion surge in the first quarter) and a widening of the travel deficit following the end of the Calgary Winter Olympics. However, the current account deficit remained below its 1987 level. The real merchandise trade surplus was virtually unchanged during the quarter as strong growth in exports was offset by a sharp increase in imports in response to the continued strength in machinery and equipment investment. However, as a result of a marked rise in the terms of trade, the nominal merchandise trade surplus rose from \$9.1 billion in the first quarter to \$11.3 billion.

Although economic growth during the first half of the year was much stronger than expected, inflation – as measured by the year-over-year change in the CPI – declined to 3.8% in July. However, there is concern that underlying inflation pressure is emerging as recent monthly CPI increases (annual rates) have been above the year-over-year pace, private sector wage settlements have been rising and much of the positive impact of the appreciation of the Canadian dollar on restraining domestic inflation has already been felt.

Employment growth slowed somewhat during the past six months, but remained slightly above increases in the labour force. Consequently, the unemployment rate has moved between 7.6 and 8.1% since the beginning of the year. The August level of 8.0% was significantly lower than the 8.7% level a year ago.

Consumer Spending Rebounds

Consumer expenditure increased 3.7% in the second quarter following a slight decline in the first quarter and very strong growth in 1987. Consumption growth was led by durable goods spending which rose 5.9%. Purchases of

automobiles remained strong as consumers continue to satisfy the pent-up demand for automobiles that remains from the recession. This pent-up demand is reflected in a stock of cars per household that is still considerably below average historical levels. Growth in consumer expenditure during the quarter outpaced gains in real personal disposable income. As a result, the personal savings rate declined to 8.1%, its lowest level since 1972.

Business Investment Bolsters Growth

Real business non-residential investment rose 16.9% in the second quarter, matching its first quarter pace. Non-residential construction investment surged by more than 11% while investment in machinery and equipment was up by almost 21%. The strong growth in business investment so far this year is consistent with the results of Statistics Canada's latest Private and Public Investment Intentions Survey in which nominal business investment is expected to rise 20.8% in 1988. According to the Survey, capital spending will be broadly based by sector and region in 1988, with all regions, and particularly Western Canada, showing stronger investment growth than in 1987 (Chart 1.2).

Turnaround in Profits

Corporate profits before taxes rose 13.6% in the second quarter, following a small decline in the previous quarter. Profits are currently 12% above levels one year ago. Despite the strong corporate profit performance and the robust financial position of Canadian corporations, firms are increasingly turning to external financing to accommodate the large increase in investment expenditures. The overall debt-to-equity ratio rose modestly in the first quarter of the year but remained in the post-recession range.

Inflation Signals Mixed

While the year-over-year rate of inflation continued to moderate over the course of the year, underlying cost pressures have shown signs of emerging. The consumer price index

continued to moderate over the course of the year, underlying cost pressures have shown signs of emerging. The consumer price index (CPI) posted a 3.8% year-over-year increase in July following a 3.9% rise in June and 4.1% average increases during the previous five months. The GDP implicit price deflator for consumption rose sharply in the second quarter but remained only 3.4% higher than a year earlier, reflecting moderate increases in the previous three quarters. Although unit labour costs are only 2.2% higher than one year ago and productivity continues to rise at a healthy pace, private sector settlements have been on an upward trend recently and may be reflected in future cost increases (Chart 1.3).

The Labour Market Stabilizes

Employment has risen 177,000 since the beginning of the year, an annual growth rate of 2.2%. The labour force has grown at a similar rate, so that the unemployment rate has fluctuated in a range between 7.6 and 8.1% in the first eight months of 1988. However, the average duration of unemployment is down sharply - to 18.0 weeks in August from an average of 20.4 weeks in 1987. Another positive feature of the labour market is the sharp decline in underemployment: the number of people who have part-time jobs because full-time jobs are not available has dropped by 34,000 to 480,000 since 1986.

Interest Rates Up

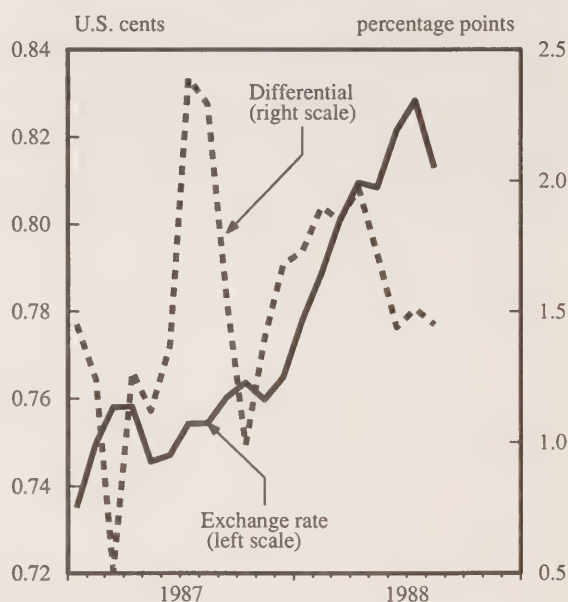
In response to concern that continued strong economic growth may lead to a resurgence of inflation, short-term interest rates have risen significantly in both Canada and the United States in recent months, although more so in the U.S. than Canada. As a result, the differential on 90-day commercial paper rates has narrowed to around 140 basis points in August from an average of 180 basis points in the first five months of the year (Chart 1.4).

Despite the declining differential in interest rates, the Canadian dollar exceeded U.S. \$0.83 in late July and early August, a much higher

level than at the end of 1987 when the dollar was trading at U.S. \$0.77. More recently, the strength of the Canadian dollar has reversed somewhat and the currency is now trading at around U.S. \$0.81.

Chart 1.4

Canada-U.S. Exchange Rate and 90-Day Commercial Paper Rate Differential



2. Personal Sector

Chart 2.1

Change in Real Consumer Spending by Category

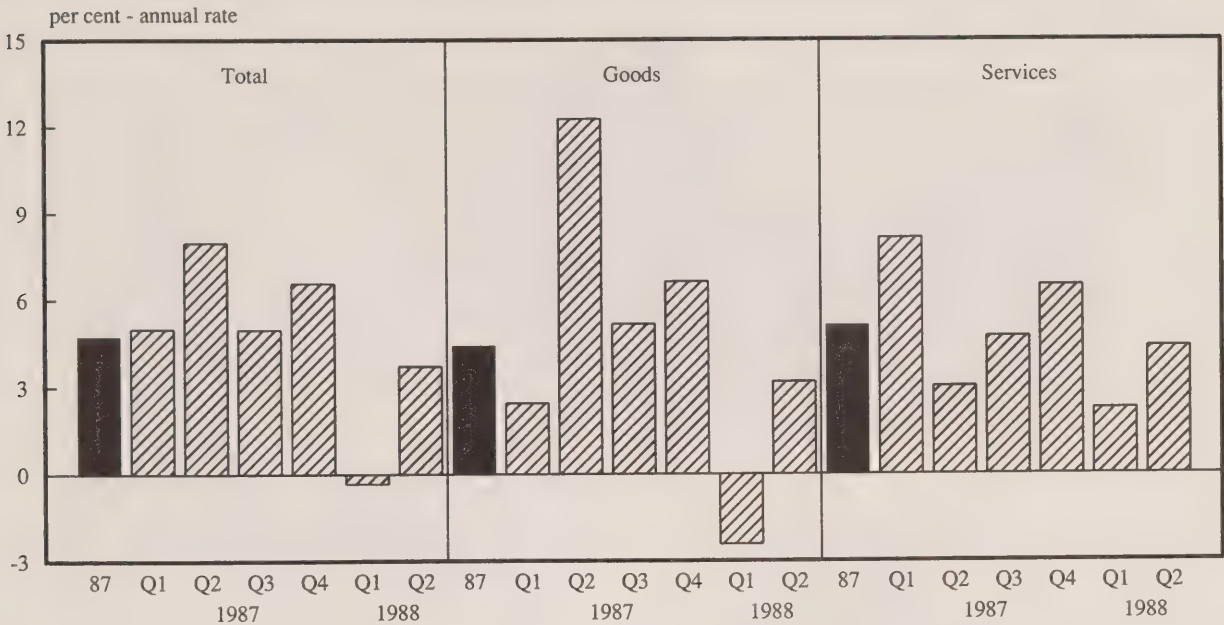
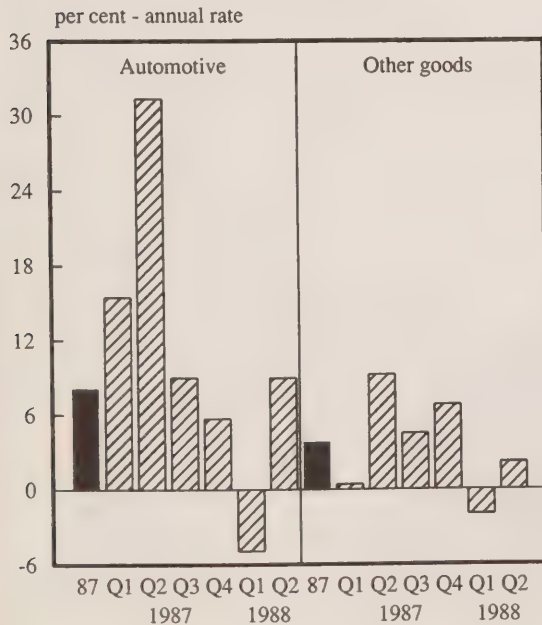


Chart 2.2

Changes in Spending on Automotive and Other Goods

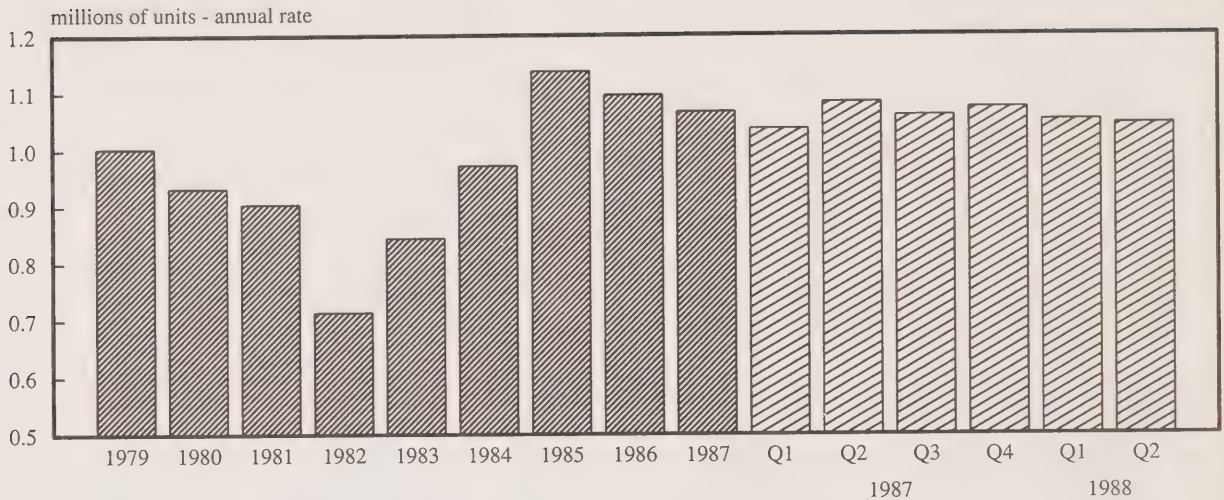


Following a modest decline in the first quarter, real consumer spending rebounded in the second quarter (Chart 2.1). The downturn in consumer spending in the first quarter and the subsequent upturn largely reflect the pattern of spending changes on goods while services expenditure has been more stable.

Within the goods category, automotive spending continued to lead growth in consumer spending with a noticeable increase in the second quarter (Chart 2.2). Spending on other goods increased at a more moderate pace.

Chart 2.3

Total Unit Car Sales in Canada



Spending on new passenger cars, which accounts for about half of automotive expenditures, continued at a high level in the second quarter. Unit sales of new passenger cars exceeded one million units (annual rate), as has been the case since the fourth quarter of 1984 (Chart 2.3). Strong car sales followed weak sales during the 1981-1982 recession,

which resulted in a sharp decline in the stock of passenger cars per household (after depreciation is taken into account). Despite the strong passenger car sales since 1985, the large pent-up demand that developed in the wake of the recession does not yet appear to be fully satisfied as the stock of cars per household remains well below average historical levels (Chart 2.4).

Chart 2.4

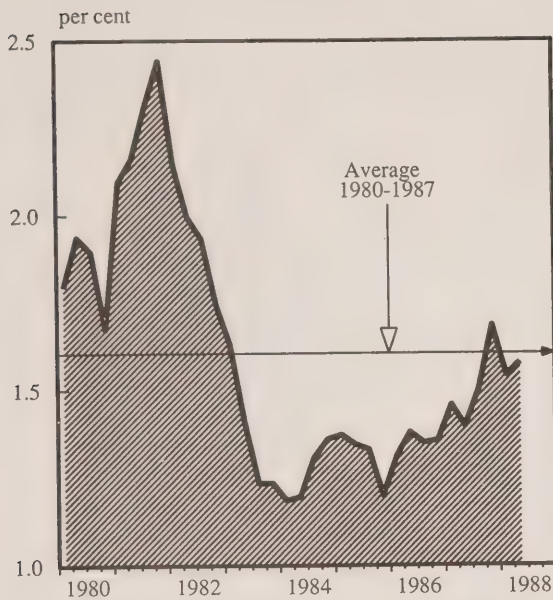
The Stock of Passenger Cars (Units) Per Household*



*Department of Finance estimates.

Chart 2.5

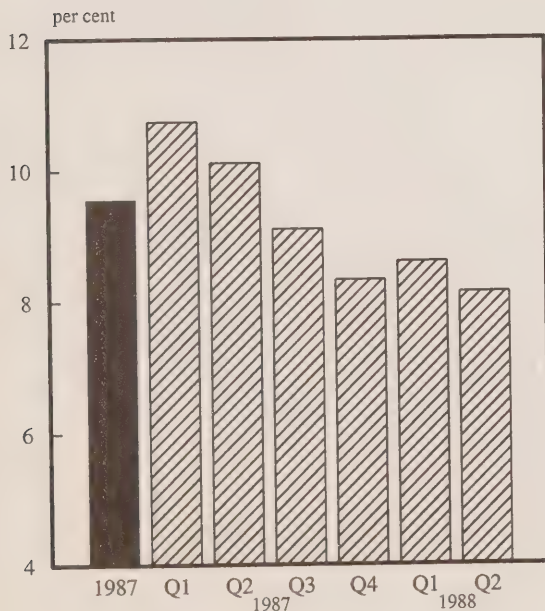
Interest on Consumer Debt as a Percentage of Personal Disposable Income



Strong consumer spending growth has produced a sharp increase in the ratio of consumer credit outstanding to disposable income. This has resulted in a steady increase in consumer interest payments relative to personal disposable income. Despite the rise in consumer debt burdens, the ratio of consumer interest payments to disposable income is near its average value during the 1980s and remains well below early 1980s levels due, in large part, to much lower interest rates (Chart 2.5).

Chart 2.6

The Personal Savings Rate

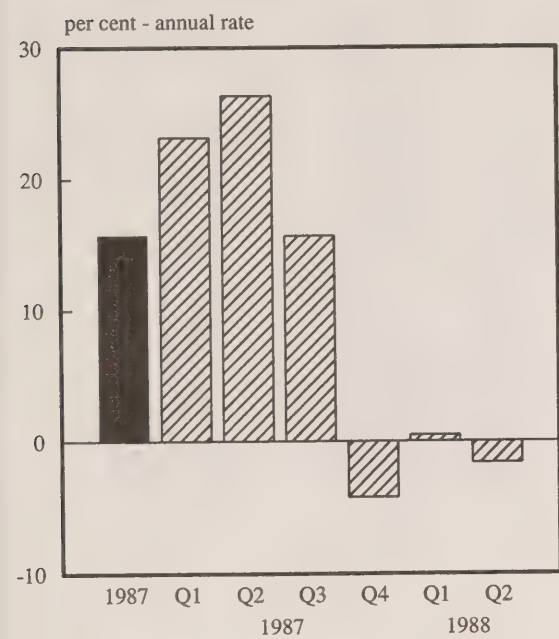


The healthy financial position of consumers (despite the recent deterioration) together with strong employment growth has buoyed confidence of the personal sector, as indicated by the recent increases in the Conference Board's Index of Consumer Attitudes. These increases have raised the index to 30% above its historical average, following a decline in the second half of 1987 due in part to the October stock market downturn. Another indication of strong consumer confidence is the decline in the personal savings rate to 8.1%, its lowest level since 1972 (Chart 2.6).

3. Housing Sector

Chart 3.1

Change in
Real Residential Investment



Real residential investment has declined from the very high levels registered in the third quarter of last year (Chart 3.1). Despite an upturn in housing starts in the second quarter, investment in new housing fell for the third consecutive quarter due to the effect of declines in housing starts in the previous two quarters, as time is required to go from a start to a completion. Spending growth on alterations and improvements has slowed in 1988 relative to 1987, although there was a marginal pick-up in the second quarter growth rate (Chart 3.2). On the other hand, following the modest growth in 1987, real estate commissions are showing strong growth in 1988.

Chart 3.2

Change in Real Residential Investment by Category

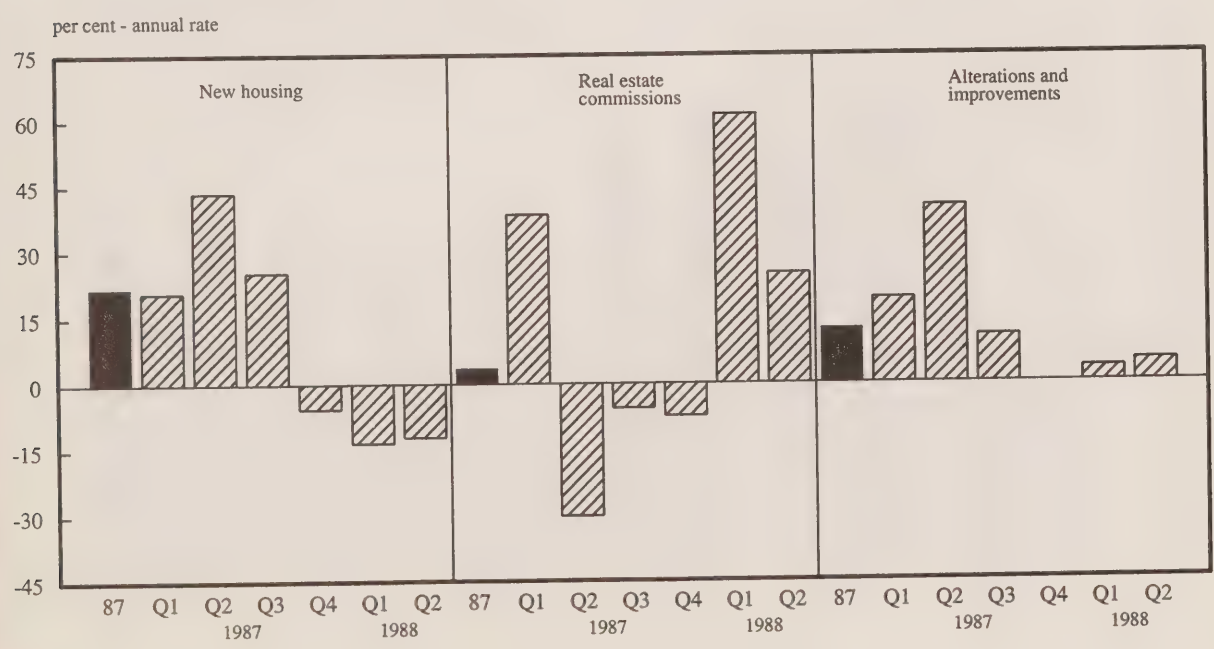
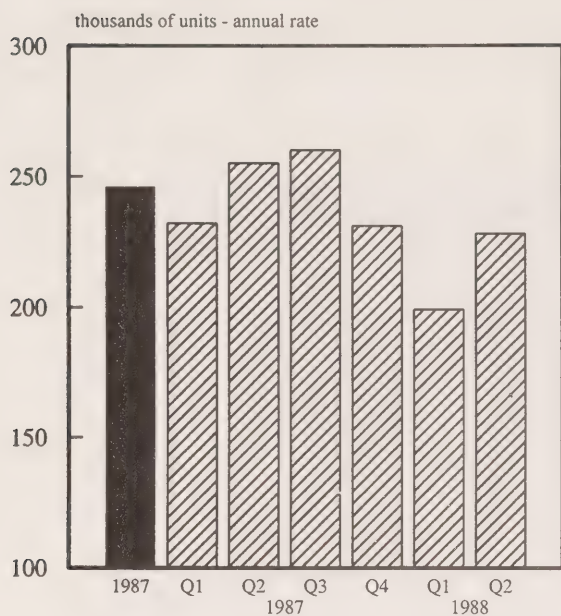


Chart 3.3

Total Housing Starts in Canada



Housing starts rebounded in the second quarter to an annual rate of 228,000 units from 199,000 units in the first quarter (Chart 3.3). This rebound occurred in every region except Quebec, where starts had reached record highs in 1986 and 1987. The rebound was sufficiently strong in British Columbia and in the Atlantic provinces that starts in these regions rose above their levels in 1987 (Chart 3.4).

Chart 3.4

Housing Starts by Region

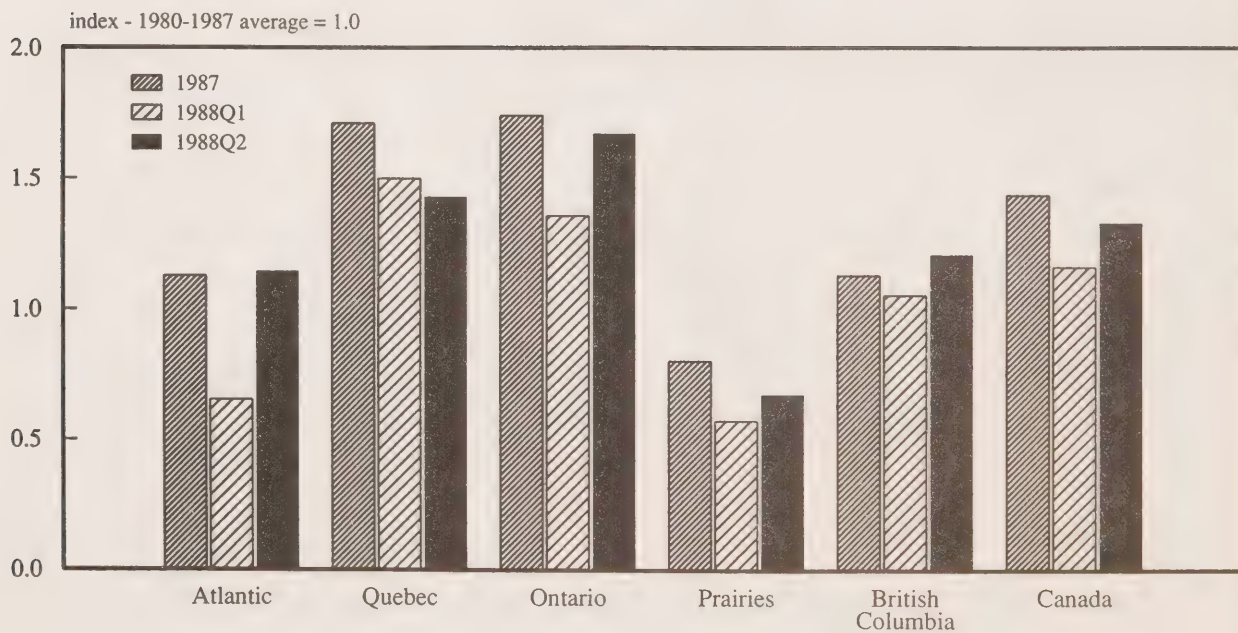
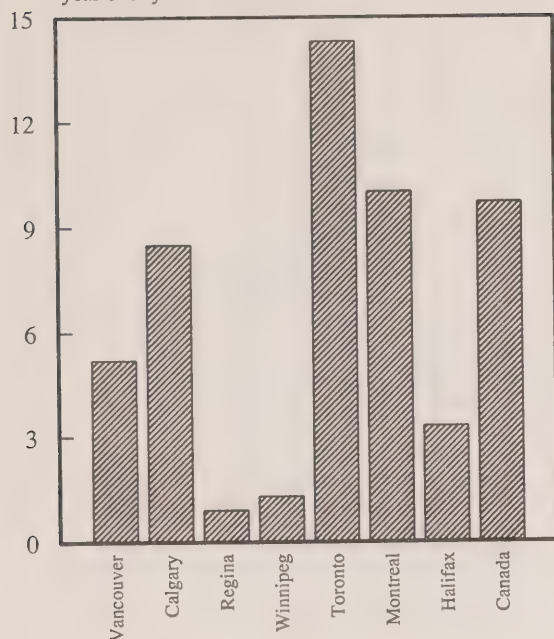


Chart 3.5

Change in New House Prices

year over year - June 1988

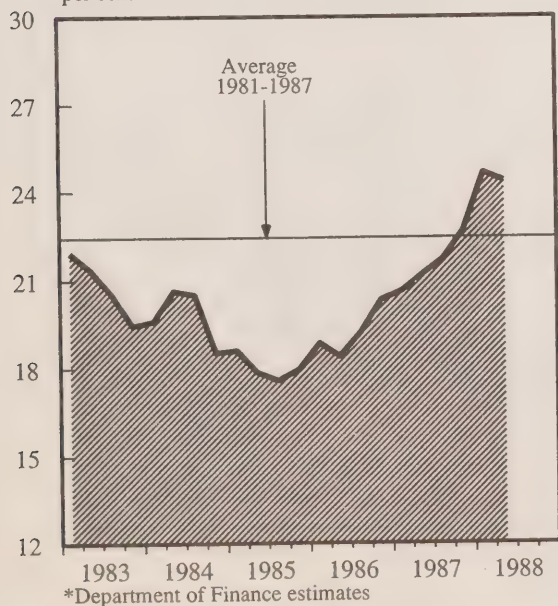


New house prices have continued to rise, with June prices roughly 9.7% above June 1987 levels. Prices have increased in all regions of the country, although the rates of increase have been quite diverse. Price increases in Toronto, for example, have exceeded the national average by a wide margin while prices in Vancouver, Regina, Winnipeg and Halifax have risen at a much more moderate pace. With new house prices increasing faster than costs of materials and labour, particularly in Central Canada, the profitability of new house construction continues to be attractive.

Chart 3.6

Mortgage Payments on a Newly Purchased Home as a Share of Household Disposable Income*

per cent

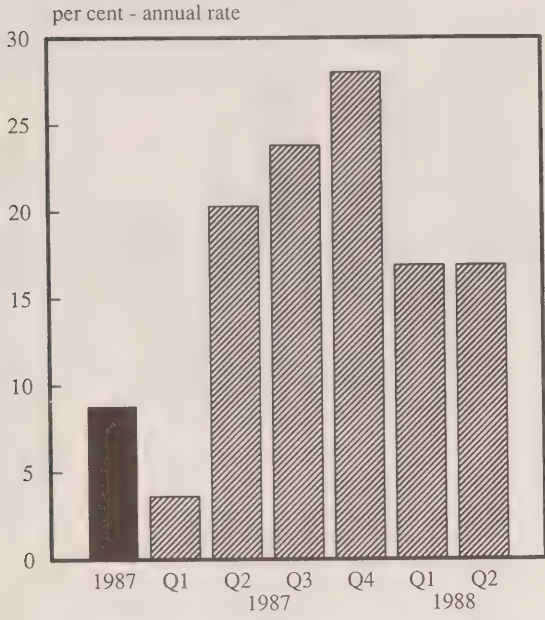


Despite a slight improvement in the second quarter, the burden of mortgage payments remained somewhat above the 1981-1987 average, reflecting both the sharp rise in house prices and increases in mortgage rates that have occurred over the last year. Mortgage rates were relatively stable during the second quarter but have risen somewhat in recent months, with one-year rates in early September at 11.50% (up 75 basis points since late June) and five-year rates at 12.25% (up 100 basis points).

4. Business Non-Residential Investment

Chart 4.1

Change in Total Real Business Fixed Investment



Non-residential business investment served as the primary engine of growth for the Canadian economy during the second quarter, accounting for 61% of the increase in real GDP. The 16.9% real increase in total non-residential business investment (at annual rates) during the quarter follows an equally strong gain in the first quarter.

Both machinery and equipment and non-residential construction contributed to the second-quarter strength in overall business investment. Real investment in machinery and equipment posted a substantial 20.5% gain during the quarter, comparable to its mid-1987 pace; this increase follows a very robust 25.4% expansion in the previous quarter. Real non-residential construction increased 11.2% in the second quarter following an average 20% gain over the previous four quarters.

Chart 4.2

Change in Real Business Fixed Investment, by Type

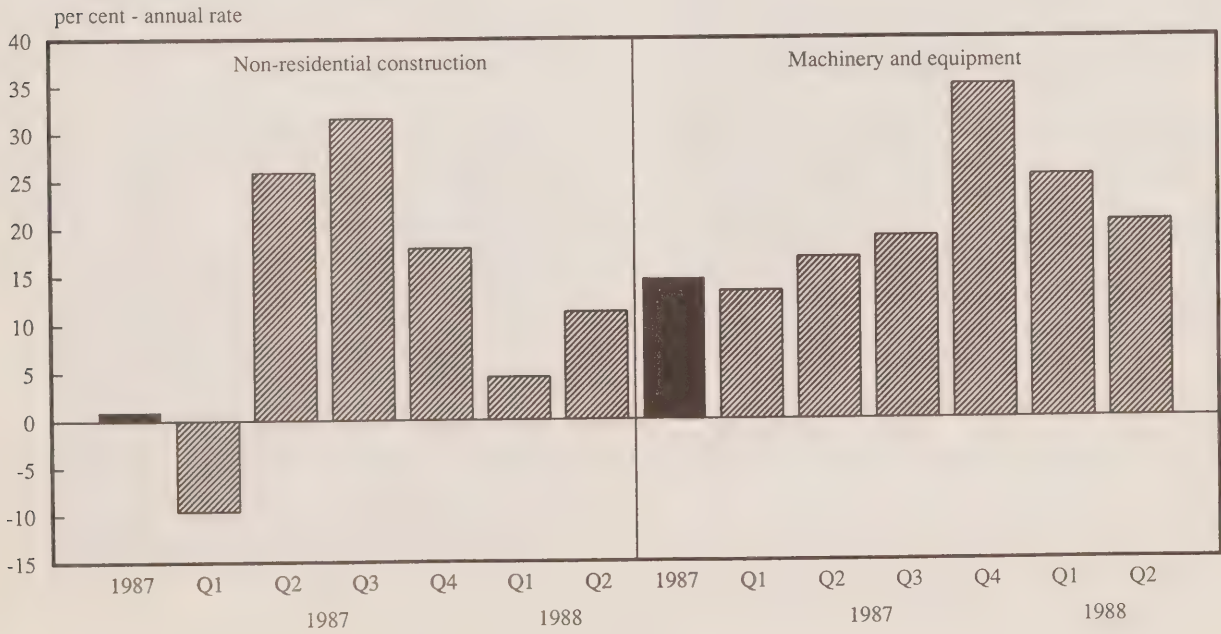
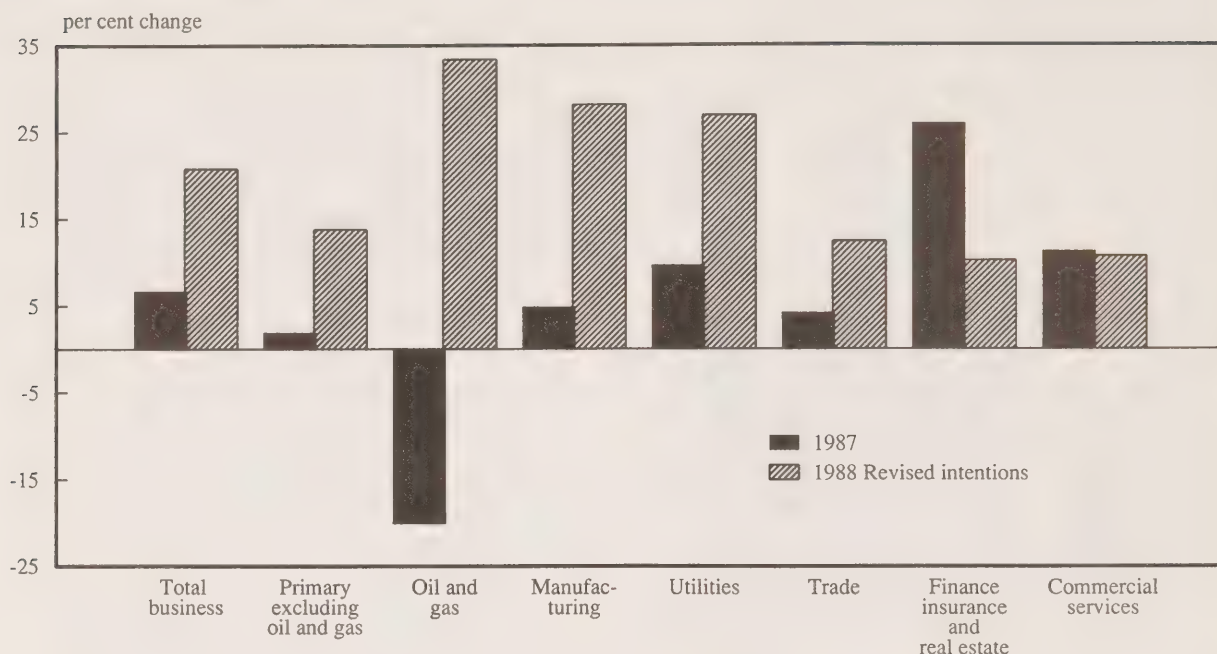


Chart 4.3

Nominal Business Non-Residential Investment, by Sector PPI Revised Intentions for 1988



Statistics Canada's recently released Private and Public Investment (PPI) Revised Intentions Survey indicates that nominal expenditures on non-residential business capital will be very strong in 1988, rising 20.8% (compared to a preliminary estimate of 17.3%). If the rate of intended investment for 1988 is realized, it will be the largest nominal increase since 1981 and likely the strongest real gain in over two decades.

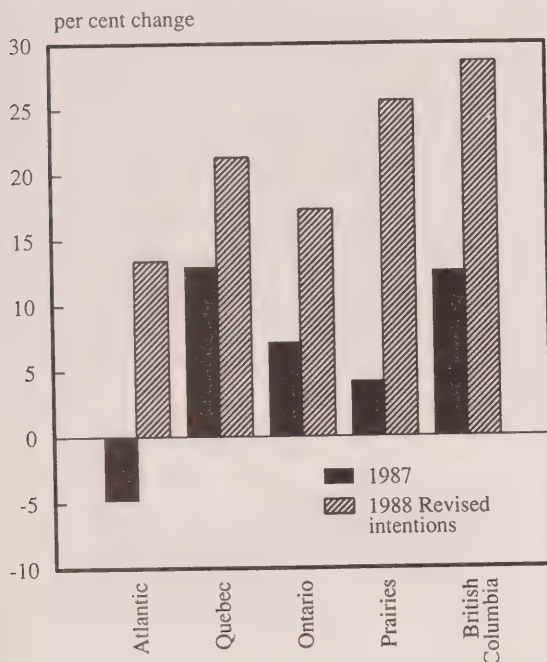
Real spending plans have increased in all sectors of the economy since the preliminary estimates, and all sectors (and most industries) are now expected to spend more in 1988 than in 1987. The most notable turnaround is expected in the oil and gas industry; following a significant decline in the level of investment during 1987, nominal capital spending is expected to rise 33% in 1988.

Spending by the manufacturing sector is also expected to be dramatically stronger in 1988, led by the forest products, transportation equipment and non-metallic minerals industries. Similarly, expenditures in the electric power and air transportation industries dominate investment plans in the utilities sector (which includes transportation, storage, communications and hydro and water utilities).

The more optimistic spending intentions reflect several factors. The Canadian economy has remained robust, and sustained moderate growth is expected through the balance of the year; capacity constraints are evident in many industries, giving rise to a need for significant capital expansion to meet growth in demand; and most industries currently benefit from a strong corporate financial position.

Chart 4.4

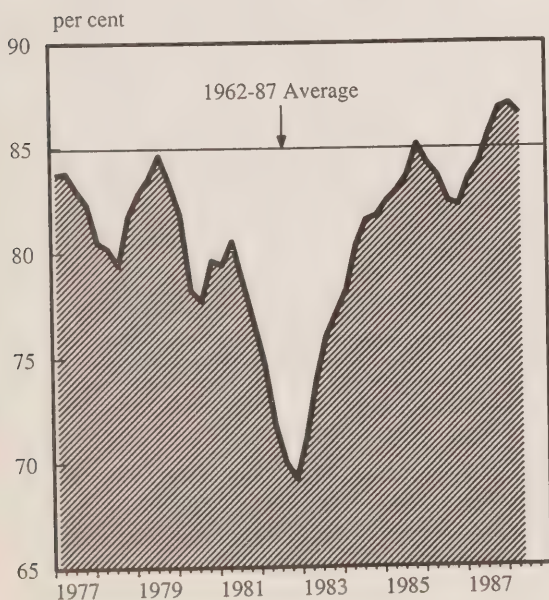
**Nominal Business Non-Residential
Investment, by Region
PPI Revised Intentions for 1988**



Statistics Canada's revised PPI intentions also indicate that capital spending will be broadly based from a regional perspective during 1988. All regions are expected to realize stronger investment this year relative to 1987, with the most notable expansion occurring in Western Canada. Investment growth in British Columbia will be led by the manufacturing and mining sectors, while increased drilling of oil and gas wells and expansion of utility projects will boost capital spending in Alberta and Saskatchewan. The sharp recovery expected in Atlantic Canada will be led by the manufacturing and utilities sectors.

Chart 4.5

Goods Sector Capacity Utilization Rate

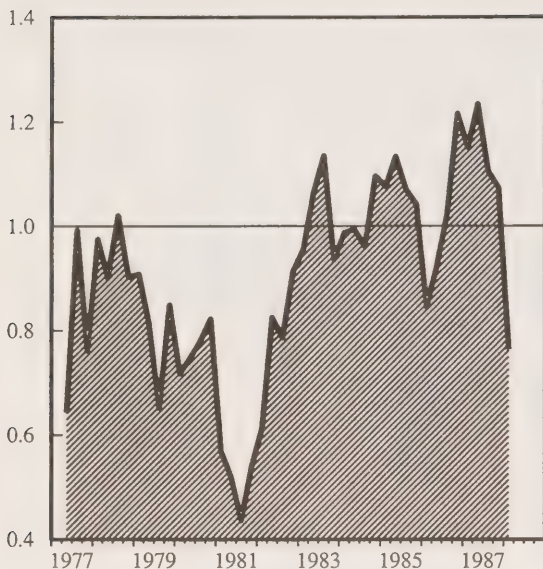


Source: Bank of Canada.

After peaking in the first quarter of 1988, the overall capacity utilization rate eased in the second quarter reflecting the strong pace of investment activity. Still, capacity utilization remains high by historical standards, and many industries (such as fabricated metal, electrical and non-metallic mineral products, primary metals and furniture and fixtures) continue to operate near capacity. The exceptions are industries that have undertaken extensive investment during the past three to four years (notably the automotive industry) or are experiencing a secular decline in activity (i.e. tobacco industry).

Chart 4.6

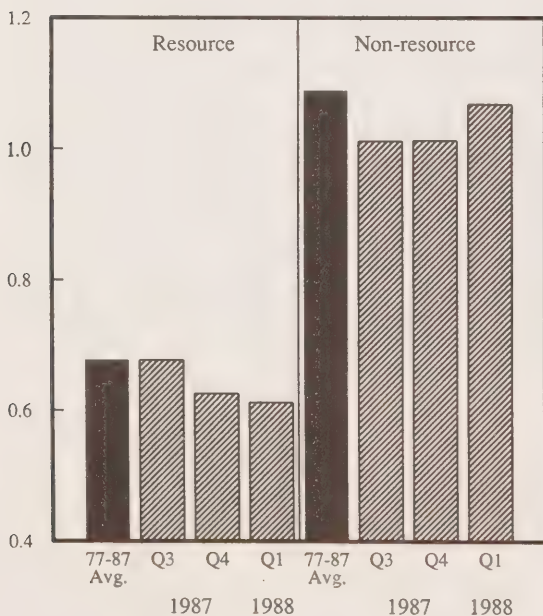
**Ratio of Internal Cash Flow
to Investment of Large
Industrial Corporations**



The current strength in investment coupled with a moderation in corporate profit growth during the first quarter of 1988 has caused corporations to turn to external financing to support capital spending for the first time since mid-1986. Strong profit growth since 1983 had enabled firms to finance most capital outlays during the past five years from internal funds. A 13.6% increase in total corporations profits (on a CIEA basis) in the second quarter should help significantly improve internal cash flow once again.

Chart 4.7

**Debt-to-Equity Ratio of
Large Industrial Corporations**



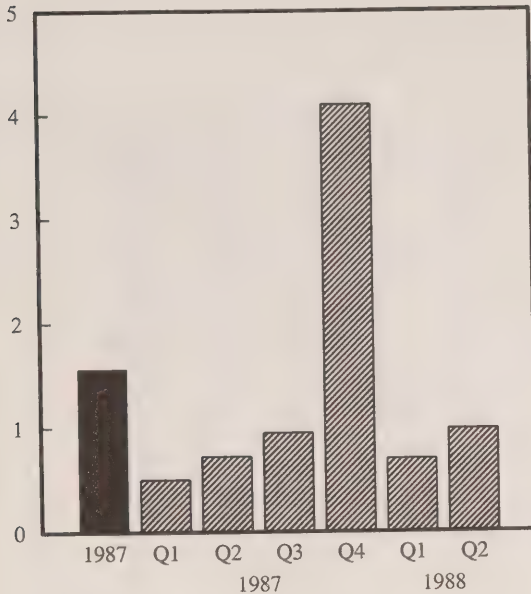
The overall debt-to-equity ratio posted a moderate rise during the first quarter of 1988, but remains in the post-recession range. A slowdown in debt growth and an improved equity position has enabled resource-based industries to realize a further improvement in their debt-equity position. Conversely, the non-resource sector's position has deteriorated slightly in recent quarters. The difficulty faced by many firms in raising new share capital following the October stock market downturn is evident in the slowdown in equity growth since the fourth quarter of 1987, and has led firms to assume increased debt loads in order to finance required capital expansion.

5. Business Inventories

Chart 5.1

Real Business Inventory Investment

billions of 1981 dollars - annual rate



Investment in business inventory stocks remained very modest during the second quarter, posting a real accumulation of \$0.9 billion (following a revised \$0.8 billion increase in the previous quarter).

As in the first quarter, virtually all of the increase occurred in the non-farm sector as farm inventories registered a further sharp decumulation. Manufacturing inventories increased noticeably during the second quarter, reflecting stronger accumulations in the primary metals, metal fabricating, paper and allied and refined petroleum products industries.

Continued strong growth in wheat exports contributed to a further large decumulation of farm inventories during the second quarter.

Chart 5.2

Components of Real Business Inventory Investment

billions of 1981 dollars - annual rate

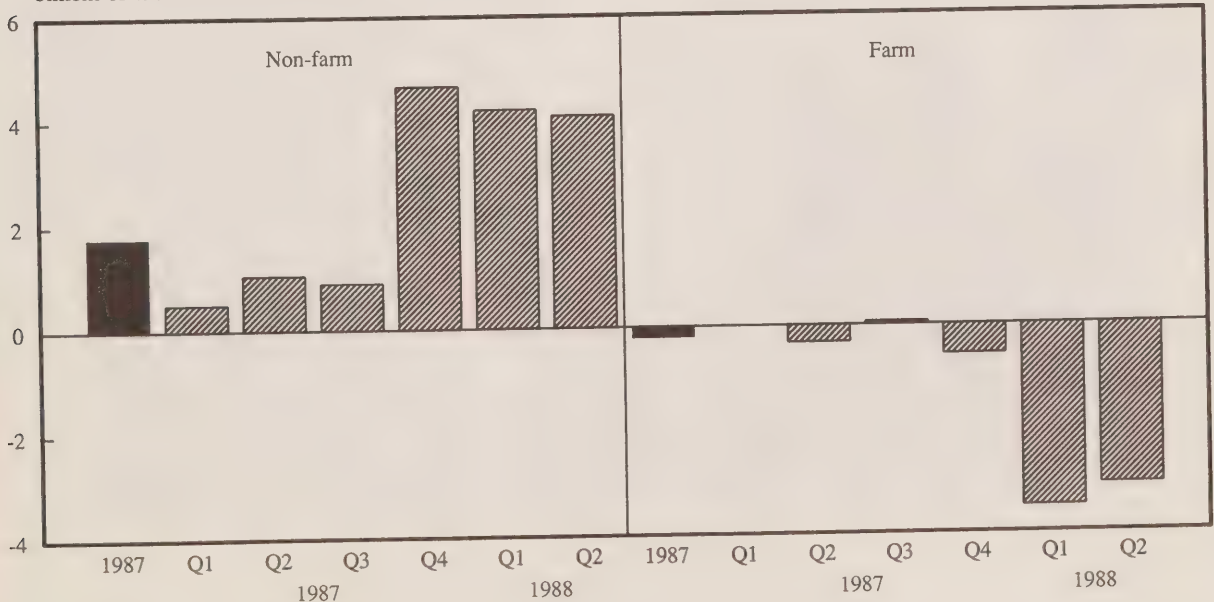
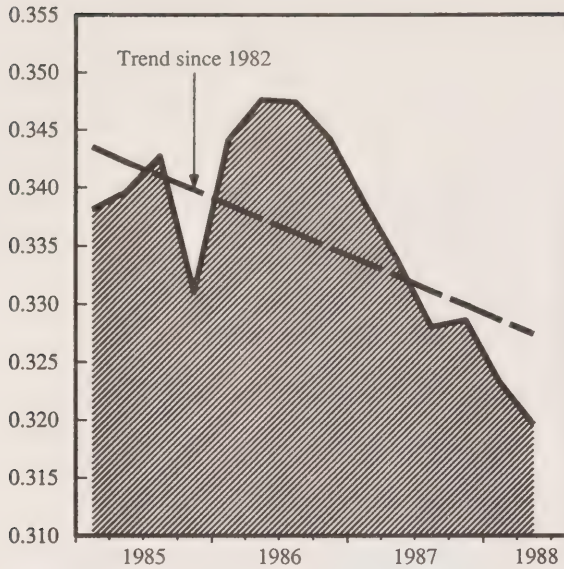


Chart 5.3

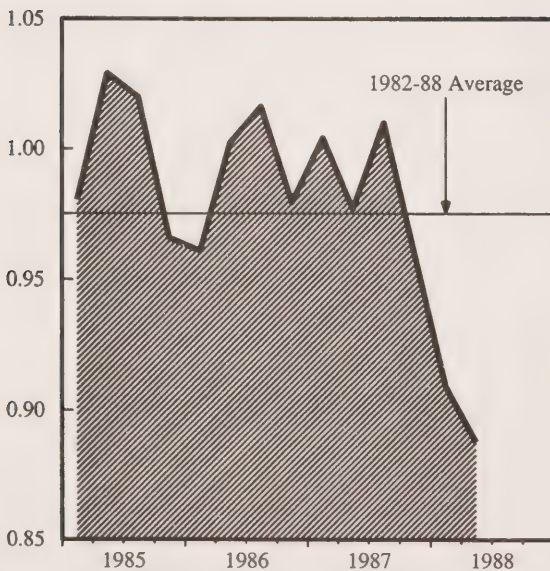
Business Inventory-to-Sales Ratio



Steady growth in sales during the second quarter (led by the strength of investment activity) coupled with a modest rate of inventory accumulation resulted in a further decline in the inventories-to-sales ratio during the quarter. This suggests that inventory holdings may be somewhat below desired levels and a pick-up in inventory investment in coming quarters is possible.

Chart 5.4

**Agriculture
Inventory-to-Sales Ratio**



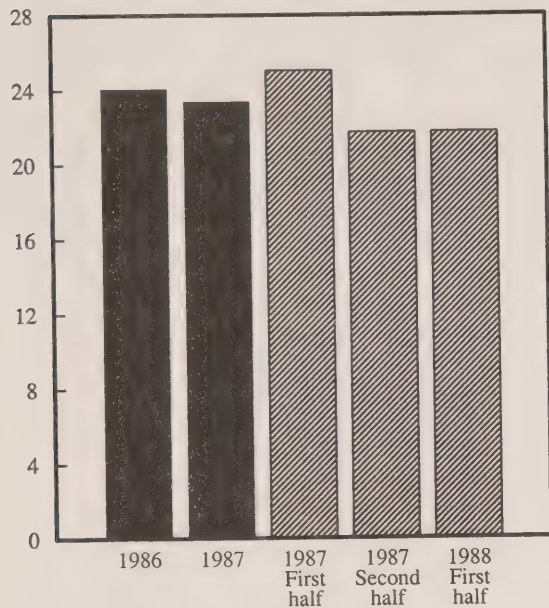
The agriculture inventory-to-sales ratio has been in sharp decline since the third quarter of 1987 and is currently well below its post-recession average. Strong growth in grain exports in recent quarters and weak production growth resulting from the drought conditions in the first half of 1988 have combined to push this ratio to its lowest level in over two decades.

6. Government Sector

Chart 6.1

Federal Deficit (CIEA Basis)

billions of dollars -seasonally adjusted at annual rate



In the first half of 1988, the federal deficit on a Canadian Income and Expenditure Accounts basis (CIEA) remained unchanged at \$21.7 billion from its second half of 1987 level (Chart 6.1). However, on a year-over-year basis, the deficit was \$3.3 billion lower.

In the first half of 1988, revenues were 13.9% above their year-earlier level (Chart 6.2). Revenue growth was broadly based. Direct taxes from persons were 14.8% higher than a year ago and indirect taxes 10.1% higher. Direct taxes from corporations were up 15.3%. Spending increased 8.4% on a year-over-year basis. Growth was led by interest on the public debt (up 14.1%) and transfers to other levels of government (11.3%). Transfers to persons rose by a more modest 6.0%.

Chart 6.2

Change in Federal Government Revenues and Expenditures in the First Half of 1988 (CIEA Basis)

per cent - year over year

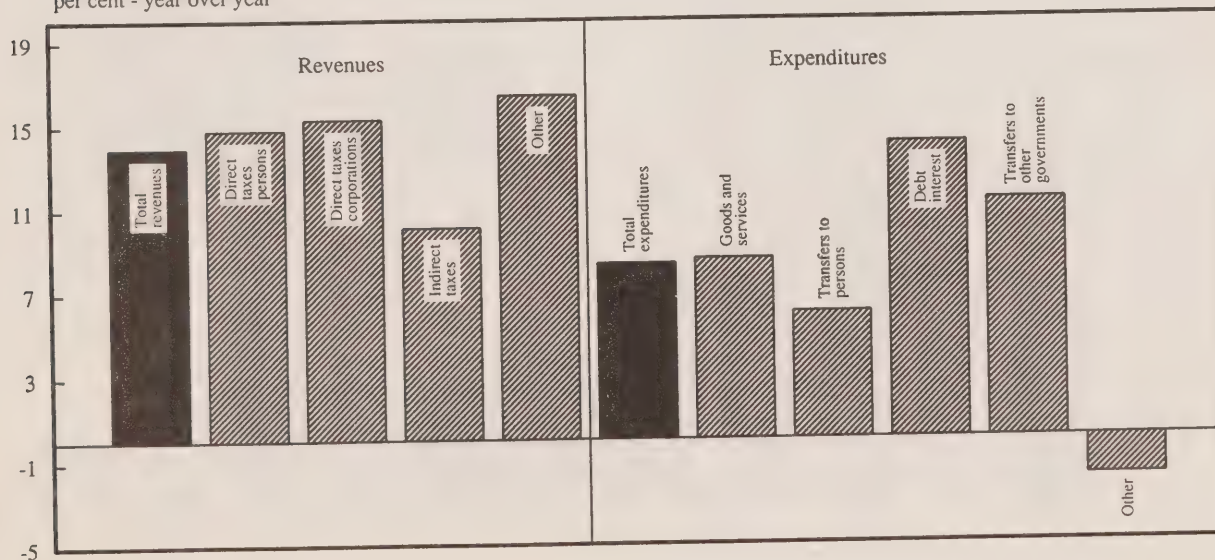
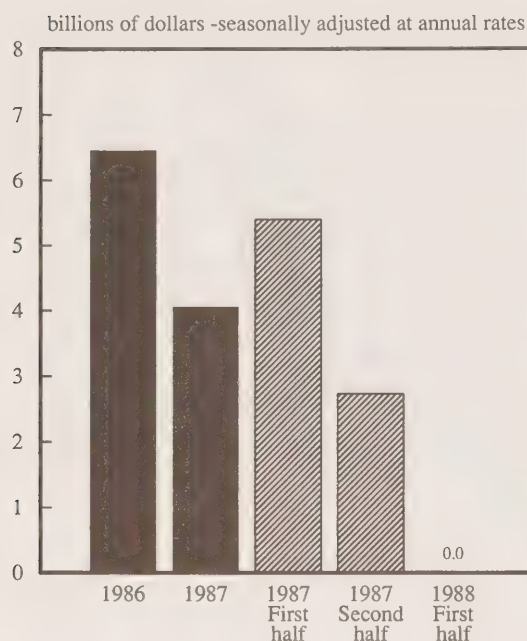


Chart 6.3

**Provincial-Local Governments
and Hospitals Deficit
(CIEA Basis)**

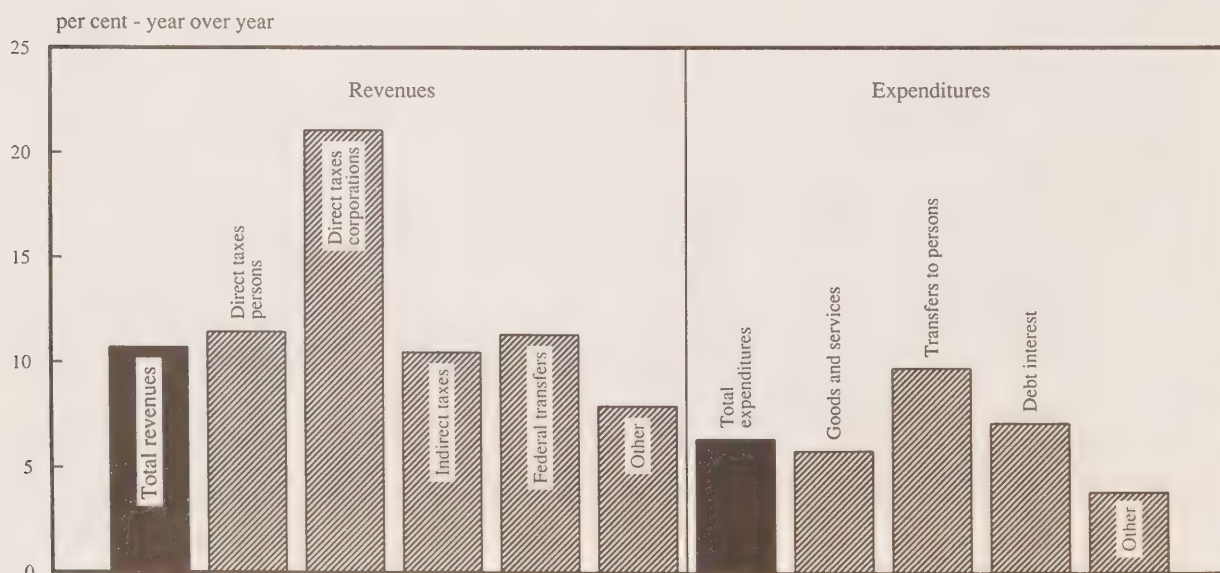


The consolidated budget for the provincial-local-hospital sector was virtually in balance in the first half of 1988; this compares with a \$2.7 billion deficit in the second half of 1987 (Chart 6.3). The substantial reduction in the deficit, which was particularly evident in the local government sector, followed from the combined effect of muted expenditure growth and strong increases in revenues.

In the first half of 1988, revenues grew by 10.7% (year over year), while expenditures grew 6.4% (Chart 6.4). As with the federal government, the strength in revenues was widespread, led by direct taxes from corporations, which posted a 21.1% increase. Expenditure growth was led by transfers to persons (up 9.7%) and interest on public debt (up 7.1%). Expenditures on goods and services grew a more modest 5.8%.

Chart 6.4

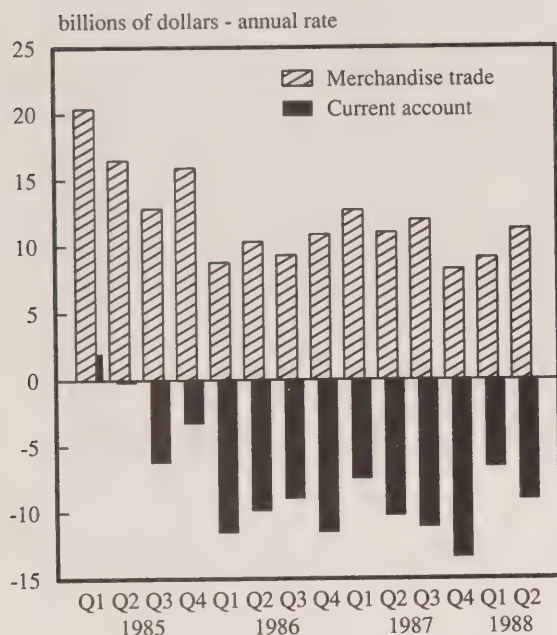
**Change in Provincial-Local Governments and Hospitals
Revenues and Expenditures in the First Half of 1988
(CIEA Basis)**



7. Foreign Trade

Chart 7.1

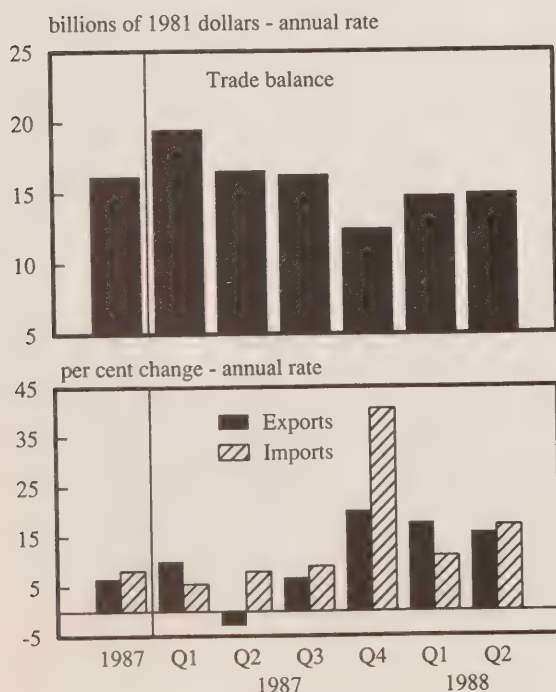
Current Account Balance



After improving noticeably in the first quarter, the current account deficit rose by \$2.5 billion to \$9.1 billion in the second quarter. The deterioration in the current account balance reflects an increase in the non-merchandise trade deficit, while the merchandise trade surplus posted a sizeable gain. The non-merchandise trade deficit widened by \$4.6 billion due mainly to two factors: a substantial decrease in investment income received from non-residents from an abnormally high level in the previous quarter; and an increase in the travel deficit following the end of the Calgary Winter Olympics. The increase in the merchandise trade surplus reflects improved terms of trade and a higher balance on trade of automotive products.

Chart 7.2

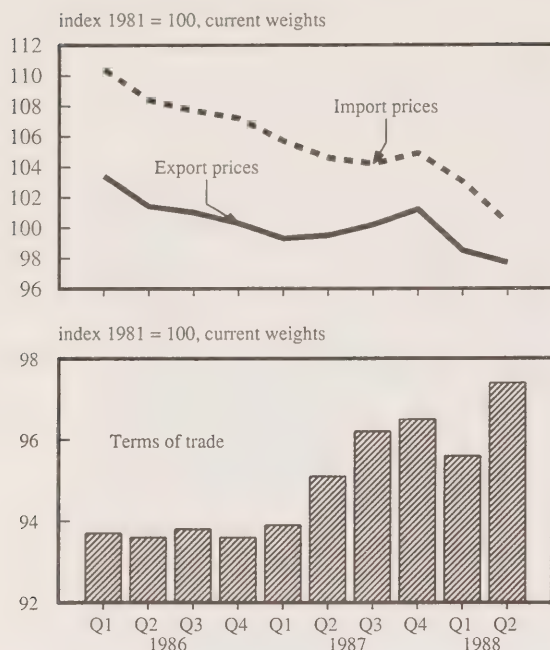
Real Merchandise Trade



The real merchandise trade surplus remained virtually unchanged in the second quarter, rising \$0.1 billion to \$14.9 billion, after a sharp \$2.3 billion increase in the previous quarter. Exports grew significantly for a third consecutive quarter in response to strong demand for wheat, cars, crude oil and natural gas. Imports of machinery and equipment were pushed up by buoyant growth in capital investment expenditure. Imports of industrial materials were also up sharply because of output growth in the primary metals industries.

Chart 7.3

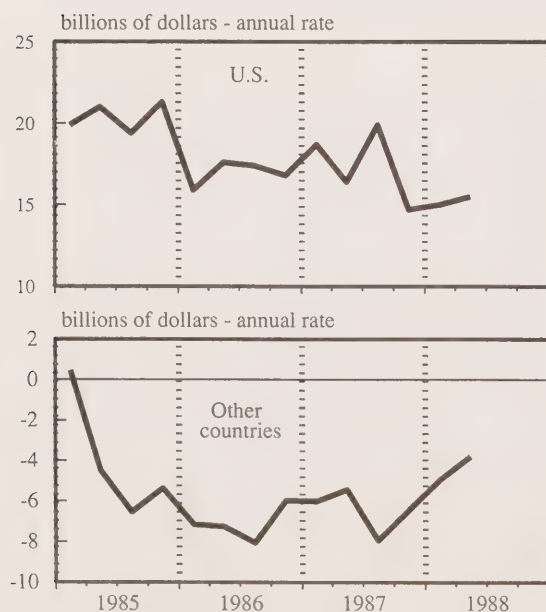
Merchandise Terms of Trade



The terms of trade rose 1.9% in the second quarter, the largest increase since the third quarter of 1980, as import prices fell sharply. Since the end of 1987, import prices have dropped 4.4%, with widespread declines among import categories, due mostly to the appreciation of the Canadian dollar against its U.S. counterpart. Export prices decreased 0.8% in the second quarter, while import prices fell by 2.6%. The fixed-weight terms of trade index, which reflects only price movements, increased 1.4% in the second quarter.

Chart 7.4

Trade Balance With U.S. and Other Countries

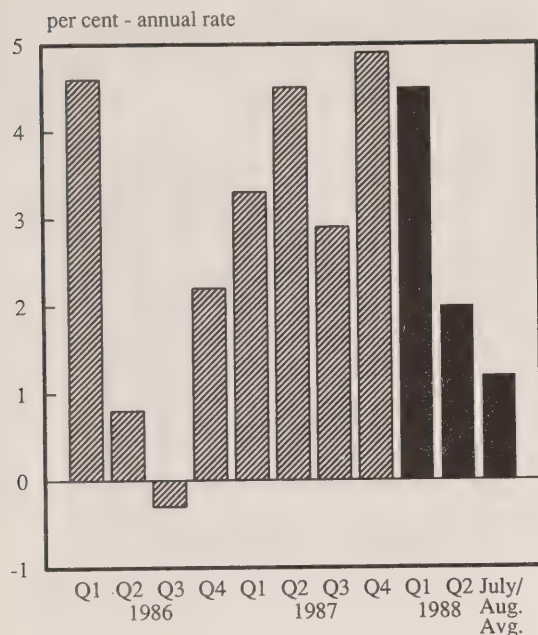


On a geographic basis, the increase in the nominal trade surplus was mainly due to improving balances with overseas countries, as the surplus with the U.S. continued to recover slowly from a sharp decline at the end of 1987. The trade surplus with the U.S. rose \$0.5 billion to \$15.5 billion, while the deficit with overseas countries decreased to \$3.8 billion from \$4.9 billion in the previous quarter. In the first half of 1988, the trade deficit with overseas countries was cut approximately 40% to \$4.4 billion (from \$7.2 billion in the last half of 1987), reflecting strong demand for wheat and fabricated materials as well as a turnaround in commodity prices.

8. The Labour Market

Chart 8.1

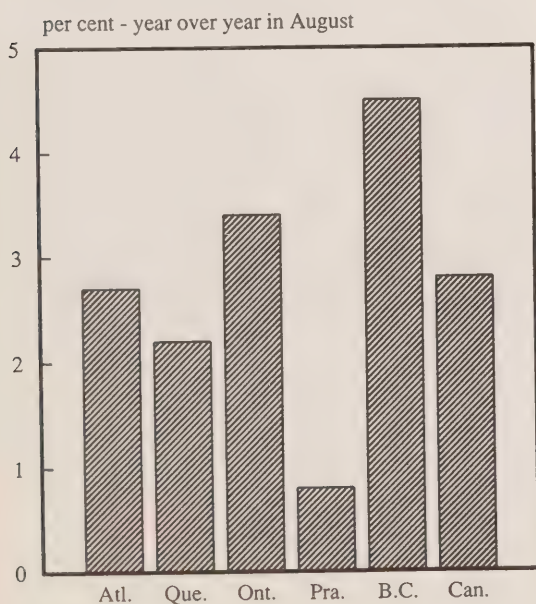
Employment Growth



Employment growth slowed to a 1.5% rate in the April-August period following very rapid growth in 1987 and the first quarter of 1988. The slowdown was most evident in the goods sector, which had just experienced the strongest 12 months of employment growth in over 8 years. Despite the slower growth, there was a general improvement in unemployment rates for most regions in the first half of 1988 with the national rate of unemployment at 8.0% in August compared with 8.1% last January and 8.7% in August 1987.

Chart 8.2

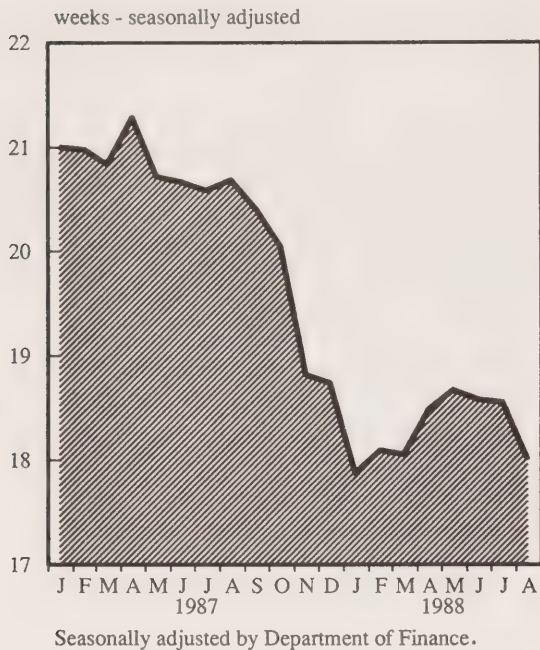
Regional Employment Growth



Every region of Canada has shared in the healthy growth of employment in the past year. Employment growth was particularly strong in British Columbia, increasing by 4.5% in August on a year-over-year basis. Employment in the Atlantic region rose at about the national pace. Despite the effects of a severe drought in the region through the summer of 1988, the Prairies experienced a 0.8% increase in employment during the past year.

Chart 8.3

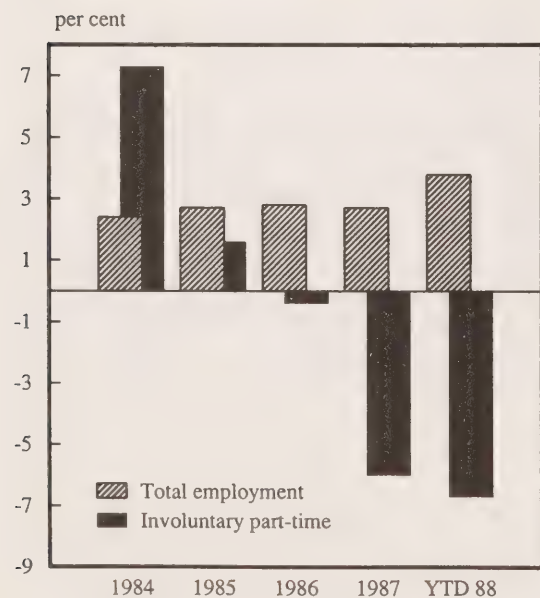
Average Duration of Unemployment



The average duration of unemployment, an indication of the hardship endured by those unemployed, fell sharply at the end of 1987 and in early 1988. As a result, average unemployment duration was 18.0 weeks in August, down more than 3 weeks from the 21.3 weeks from August 1987.

Chart 8.4

Change in Total and Involuntary Part-Time Employment

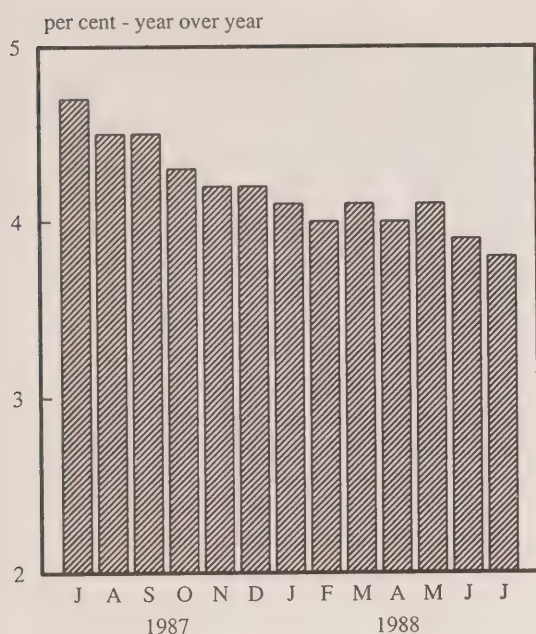


Underemployment of those who have jobs is also declining. The number of people who have part-time work because full-time jobs are not available has dropped sharply since 1986. So far in 1988, involuntary part-time employment has declined at an annual rate of 6.7%. This is a sharp reversal of the steady rise of involuntary part-time employment between 1975 and 1985.

9. Price and Wage Sector

Chart 9.1

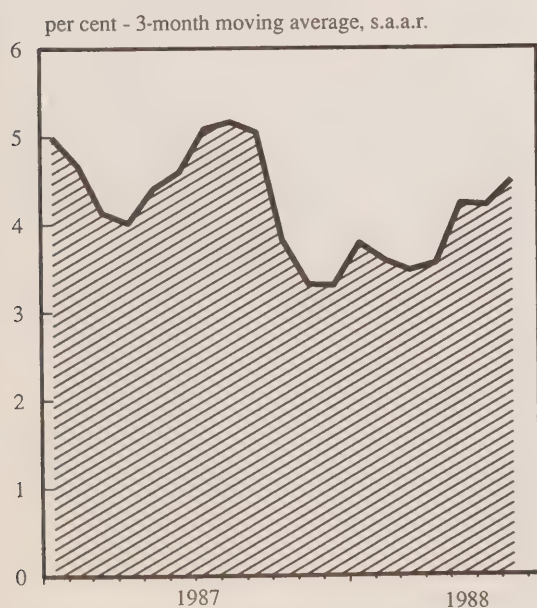
CPI Inflation Over the Past Year



Over the past year, the year-over-year growth of the CPI has declined progressively to 3.8% in July. The Canadian dollar appreciation has positively influenced food and energy prices and, to a lesser extent, transportation charges which together have offset upward pressures in other components of the CPI. However excluding food and energy, the CPI in July was 4.5% above last year's level. The recent declines in the year-over-year rate of inflation are a consequence of fairly strong price increases in the middle of last year.

Chart 9.2

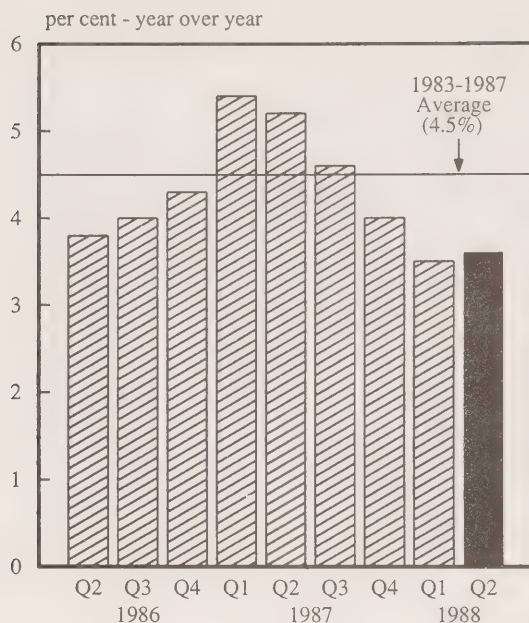
3-Month Average Inflation Rate



To give more weight to current developments than reflected in the year-over-year measure, one can use the average compound annual increase of the CPI over the last three months. This measure of inflation has risen lately, reaching 4.9% in July. As shown in chart 9.2, a smooth series of this measure of inflation shows an upward trend since late 1987.

Chart 9.3

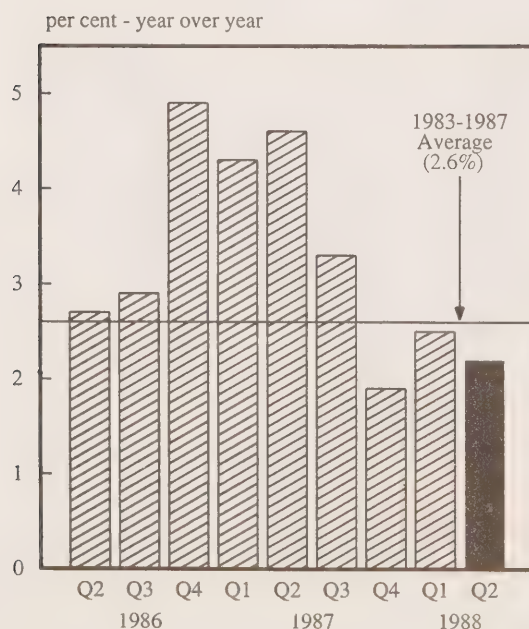
Change in Labour Income Per Employee



Growth in labour income per employee (year over year) remained relatively unchanged at 3.6% in the second quarter, but was down from 5.4% in the first quarter of 1987.

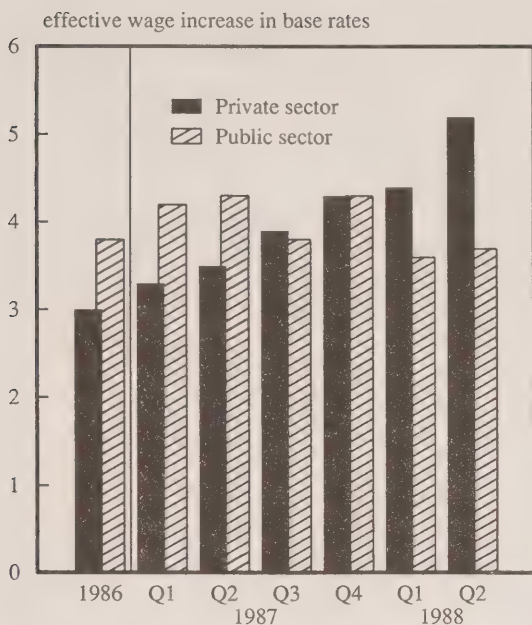
Chart 9.4

Change in Unit Labour Costs



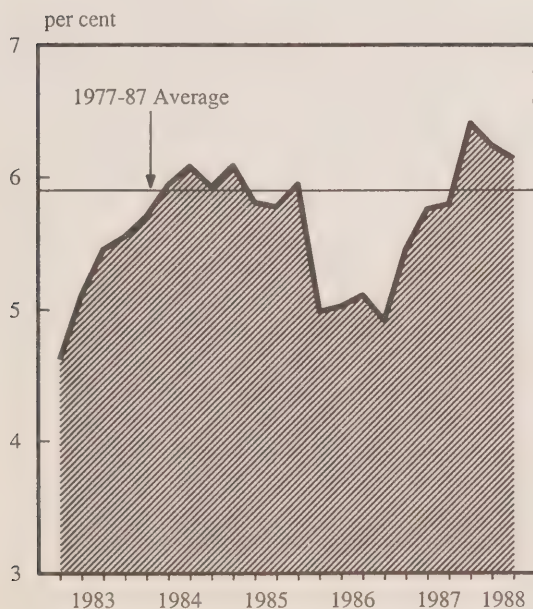
Labour productivity increased at an annual rate of 1.9% in the second quarter to 1.3% above its level one year ago. On a year-over-year basis, this labour productivity gain, combined with the 3.6% increase in average labour income, resulted in continued moderate growth in unit labour costs. In the second quarter, unit labour costs increased 2.2% (year over year), down from the 2.5% growth recorded in the first quarter and the 1987 average of 3.5%. However, rapid increases in private sector wage settlements recently may put upward pressure on future costs.

Chart 9.5

Wage Settlements

Wage settlements have risen to 4.5% in the second quarter from around 4% in the first quarter and 1987 as a whole. Private sector wage settlements increased throughout 1987 and again in the first half of 1988 to 5.2% in the second quarter. The sharp rise in private sector settlements may affect the cost structure in coming quarters. Public sector wage settlements remained virtually unchanged at 3.7% and were below their 1987 average of 4.2%.

Chart 9.6

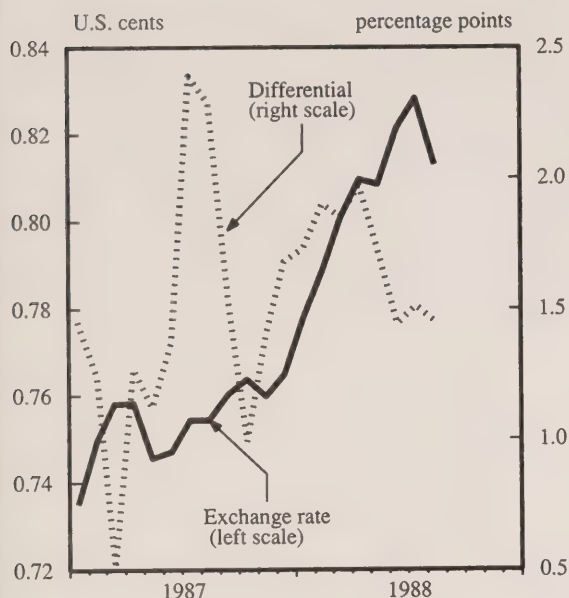
Profit Margins of Industrial Corporations

The steady increase recorded in private sector wage settlements in the past year and a half was facilitated, in part, by the rising profit margins of industrial corporations. Despite a slight decline in the last two quarters, profit margins remained above their 1977-1987 average of 5.9%. Profitability in certain industries increased sharply in the last two years as commodity prices recovered and strong demand worldwide generated price increases. In the mining industry (excluding mineral fuels), profit margins have been in the range of 20% in the last few quarters. Profit margins in manufacturing have steadily increased over the post-1982 recession and now stand near their pre-recession level of 8.4%.

10. Financial Sector

Chart 10.1

Canada-U.S. Exchange Rate and 90-Day Commercial Paper Rate Differential

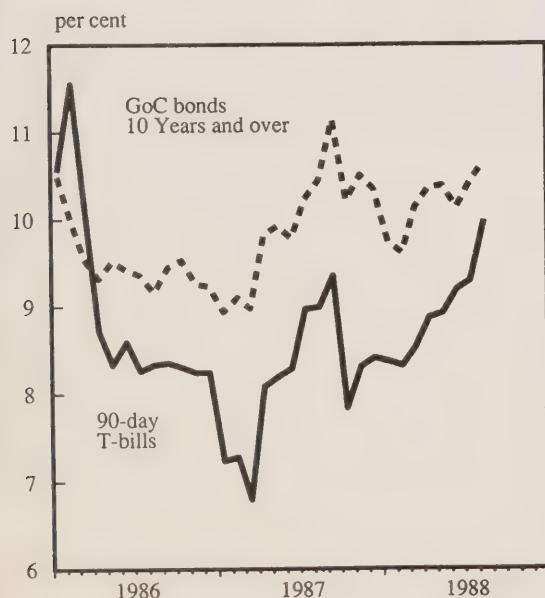


Since the beginning of the year, short-term interest rates have been rising in both Canada and the United States with rates increasing more quickly in the U.S. This upward trend in interest rates reflects concern over inflationary pressures on the part of market participants and monetary authorities in both Canada and the U.S. The differential between Canada and U.S. short-term rates, which averaged 180 basis points in the first five months of the year, has narrowed considerably since May to 140 basis points in August.

The Canadian dollar continued its upward trend, exceeding U.S. \$0.83 in late July and early August before falling to its current level of around U.S. \$0.81. The strength the Canadian dollar has exhibited since the end of 1987 is largely attributed to investors' confidence in Canada's economic performance and prospects.

Chart 10.2

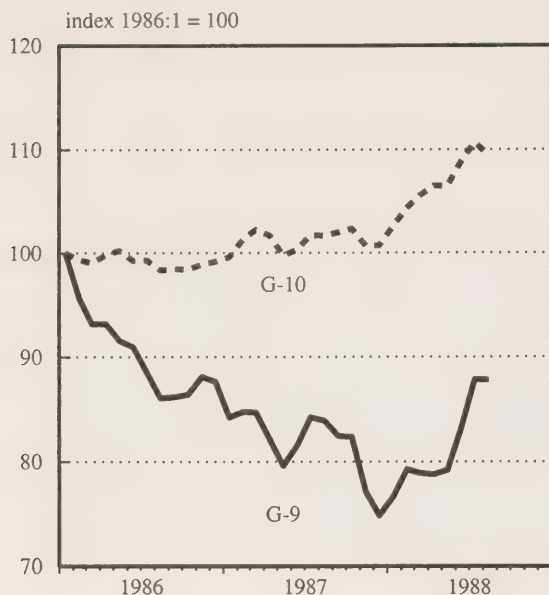
Short- and Long-Term Interest Rates Since January 1986



Recent upward movement in interest rates has been reflected in both short- and long-term rates. Since the beginning of the year, the 90-day Treasury bills rate has risen by more than 160 basis points while long-term Government of Canada bonds have gained 90 basis points.

Chart 10.3

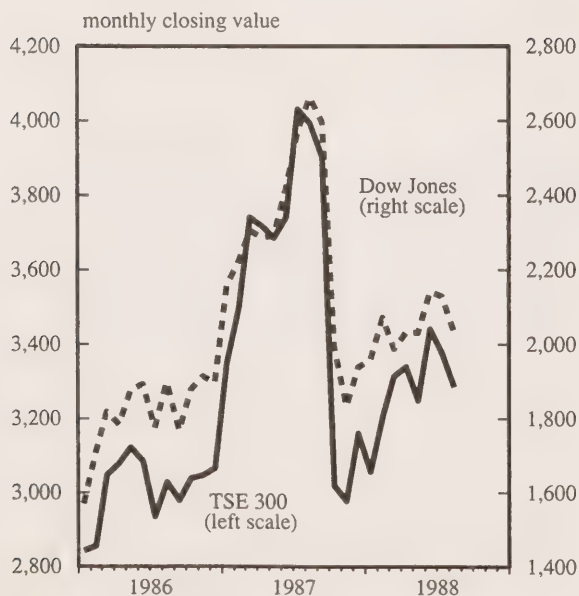
Canadian Exchange Rate



On a trade-weighted basis, the Canadian dollar has also appreciated since the beginning of the year. After a depreciation of more than 11% in the second half of 1987, the Canadian dollar has appreciated 14.6% in the first eight months of 1988 against G-9 currencies (G-10 currencies excluding the U.S.). The Canadian dollar has risen almost 7% against G-10 currencies during the same period. So far this year, the Canadian dollar has risen 9.0% against the yen, 16.5% against the German mark and 10.2% against the British pound.

Chart 10.4

TSE Index and Dow Jones Since January 1986



Stock prices have been on an upward trend following the October downturn but, in the last few months, have weakened noticeably, due mainly to worldwide increases in interest rates.

Special Report

Special Report

The Canadian Current Account: Issues and Implications

Prepared by:

Steven James

Economic Analysis and Forecasting Division

Fiscal Policy and Economic Analysis Branch

Department of Finance.

*Views expressed in this special report represent
those of the author and should not be attributed to
the Department of Finance.*

11. The Canadian Current Account: Issues and Implications

Introduction and Summary

The Canadian current account has been in deficit since 1985. This deficit reached \$10.6 billion in 1987, and was \$13.4 billion in the fourth quarter of 1987 on a seasonally adjusted annual rate basis before declining somewhat to an average of \$7.8 billion in the first half of 1988. Since 1985, Canadian net foreign indebtedness has risen from 33 to 37% of gross domestic product (GDP).

This special report uses historical evidence to analyze why the current account deficit has developed and whether or not it is a problem for Canada. The implications of current account deficits and the linkage of the current account to net foreign indebtedness are examined, as well as the extent to which current accounts deficits are financing investment as opposed to consumption.

The first section of the special report provides a historical profile of the current account, with particular emphasis on the importance of the overseas economies in the overall current account deterioration since 1984. The next section outlines the main causal factors at work in determining the historical profile of the current account. The third section uses the net foreign investment identity to examine the components of the saving-investment balance in the context of current account movements. The fourth section discusses the linkage with net foreign indebtedness. The final section addresses the longer-term implications of current account deficits.

The Current Account – Historical Profile

Since 1960 the current account balance has fluctuated between -2 and 1% of GDP. An analysis of the main components of the current account as proportions of GDP shows that most

fluctuations in the current account are the result of fluctuations in the merchandise trade account (Chart 11.1). The shift from current account surplus to deficit between 1984 and 1986 was almost entirely due to a decline in the merchandise trade surplus during that period. It is also clear that, as a proportion of GDP, the current account deficits of 1986 and 1987 are not atypical by historical standards. Current account deficits as a proportion of GDP were at least as large during the period 1975 to 1981. In 1975, the current account deficit reached 2.7% of GDP and averaged 1.8% over the next six years. Even larger current account deficits were experienced in the mid-1950s. The current account deficit as a proportion of GDP was 4.1% in 1956 and 1957, and averaged 3.2% in the years 1955 to 1961.

The service account has been fairly constant in recent years, running a deficit of nearly 1% of GDP. In the years 1961 to 1975, the investment income account averaged a deficit of 1.6% of GDP. It rose significantly from 1975 to 1982 as a result of an increasing net foreign debt to GDP ratio and increasing rates of return on the net foreign debt. Since 1982 it has stabilized, averaging 3.1% of GDP.

The current account balance with the United States has often differed significantly from the balance with our major overseas trading partners. The current account deficits of the mid-1970s were a reflection of roughly equivalent current account deficits with the United States, as the current account with the overseas economies was close to zero (Chart 11.2). Between 1979 and 1985, the current account with the U.S. moved sharply from deficit to surplus; the total swing equalling 4.6% of GDP. The current account surplus with the United States peaked at 1.8% of GDP in 1985, and has since declined to 1.0% of GDP in 1987. In contrast, the current account with the rest of the world has moved from surplus to deficit since 1980. After surging briefly to a surplus of 2.1% of GDP in 1980, the current account with the overseas economies shifted to

Chart 11.1

Canadian Current Account Balance as a Proportion of GDP

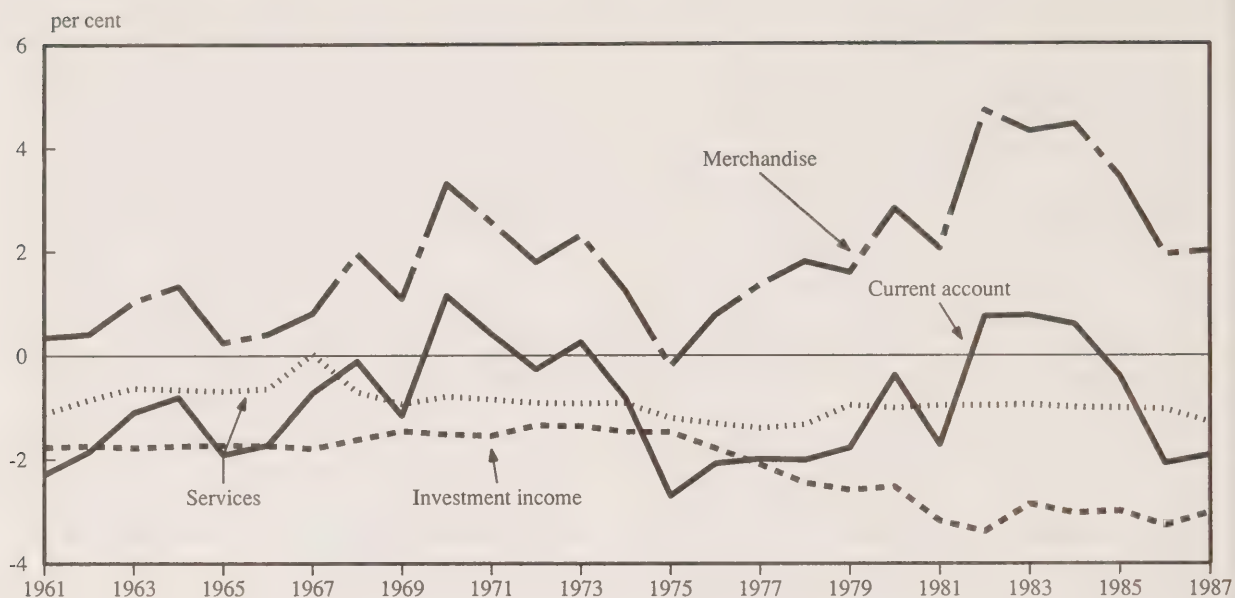
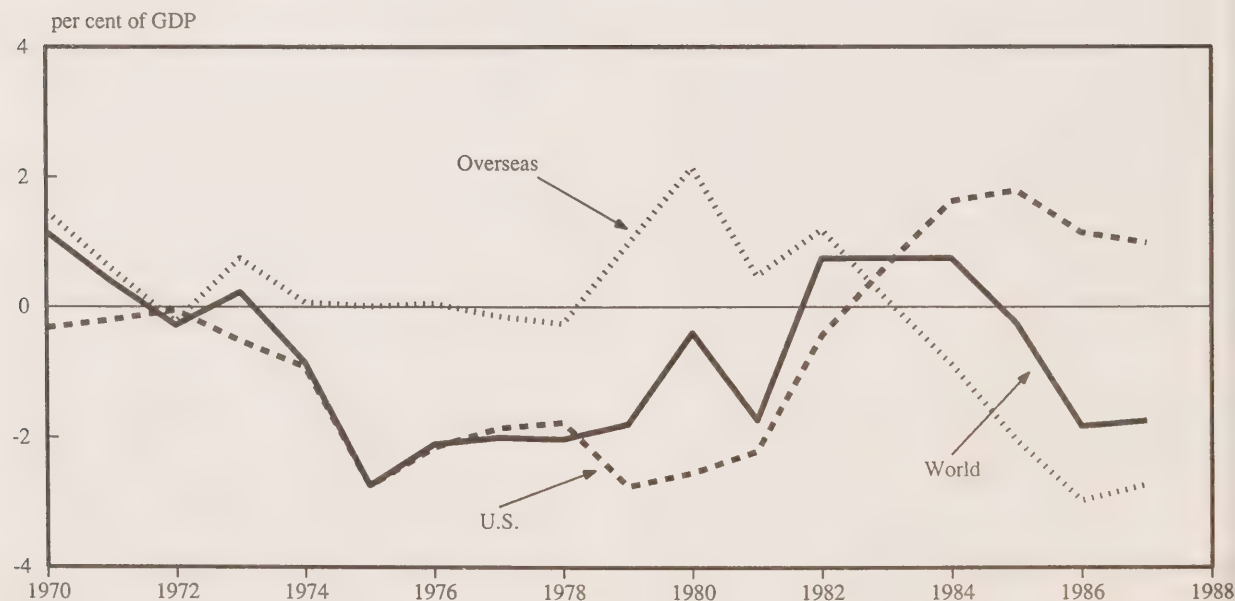


Chart 11.2

Current Account Balance by Region



a deficit of 3.0% of GDP in 1986; recovering slightly to 2.7% in 1987. Eighty two per cent of the deterioration in the current account between 1984 and 1986 occurred with the overseas economies, while only 18% can be attributed to the current account with the United States. This was true even though the United States accounts for three-quarters of total Canadian foreign trade.

A division of the current accounts with the United States and the overseas economies into their merchandise and non-merchandise components reveals that most of the fluctuations in the current account balances have been the result of movements in the merchandise account.

The current account balance shows a pronounced cyclical pattern that is observed in both merchandise exports and imports, particularly during the 1980s. In the 1982 recession, imports from the United States fell much more sharply than exports, while in the recovery, exports to the United States surged more than imports. These two developments account for the large increase in the merchandise trade surplus and improvement in the current account with the United States between 1981 and 1984. Between 1978 and 1980, exports to the overseas economies rose much more than imports, leading to a sharp increase in the overseas merchandise trade and current account surpluses. From 1980 to 1983, merchandise exports as a proportion of GDP fell sharply. Imports as a proportion of GDP also fell sharply in the 1981-1982 recession. However, they have since recovered to their 1981 levels. The result has been a shift from a merchandise trade surplus with overseas countries of 2.3% of GDP in 1980 to a deficit of 1.2% in 1987.

The Current Account Deterioration - Causal Factors

The merchandise trade account is chiefly determined by relative incomes and prices.

As can be seen in Chart 11.3 there is a strong degree of correlation between U.S. and Canadian real final domestic demand growth and the merchandise trade balance. The 1982 to 1984 deterioration in the merchandise account with the United States corresponded to lower growth in the U.S. than in Canada. Chart 11.4 shows the Canada-U.S. real exchange rate.⁽¹⁾

All things being equal, decline in the real exchange rate should lead to a lagged improvement in the merchandise trade account. It can be seen that the 1976 to 1979 decline in the real exchange rate with the U.S. was followed by a 1978 to 1981 improvement in the merchandise account with the U.S.

Prime determinants of the deterioration of the overall current account have been the sharp declines in international oil and grain prices and the boom in Canadian investment spending (of which machinery and equipment investment is almost totally imported). The latter has more than offset the favourable terms of trade impact of the improvement in international raw materials prices.

The gap between Canadian real domestic demand growth and the trade-weighted real final domestic demand growth of Japan, the U.K., Germany, France and Italy is shown in Chart 11.5, along with the yearly change in the current account with the overseas economies. Since 1983, Canada's final domestic demand has grown faster than these countries on a trade-weighted basis and from 1982 to 1986 the merchandise trade account with the overseas economies deteriorated. The real exchange rate with these five countries has evolved in sharp contrast to the real exchange rate with the U.S. (Chart 11.4). A strong improvement in competitiveness with both the U.S. and overseas economies occurred in the period 1976 to 1980, but an equally large decline in competitiveness with the overseas economies followed from 1980 to 1985. This undoubtedly is a large factor in the swing from surplus to deficit of the merchandise trade account with the overseas economies between 1982 and 1986. Since 1985, trade-weighted competitiveness with Japan,

(1) Defined as: Canadian GDP deflator times U.S. dollar price of a Canadian dollar divided by the U.S. GDP deflator.

Chart 11.3

**Final Domestic Demand
Growth Gap and Change in
Merchandise Balance With U.S.**

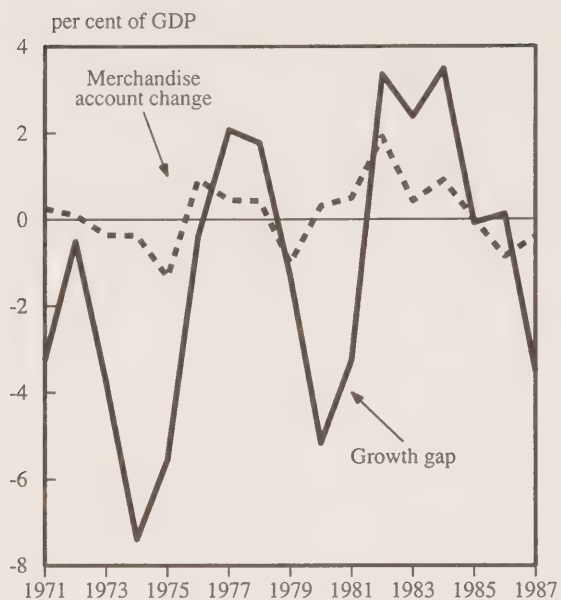


Chart 11.4

Real Exchange Rate With U.S.

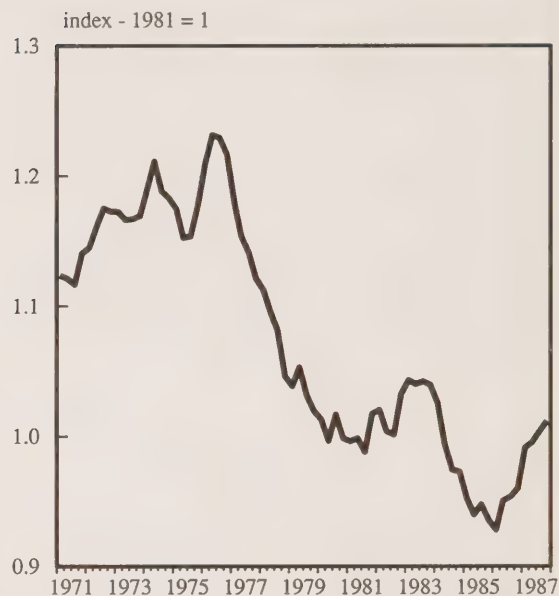


Chart 11.5

**Final Domestic Demand Growth
Gap and Change in Merchandise
Balance With Overseas Countries**

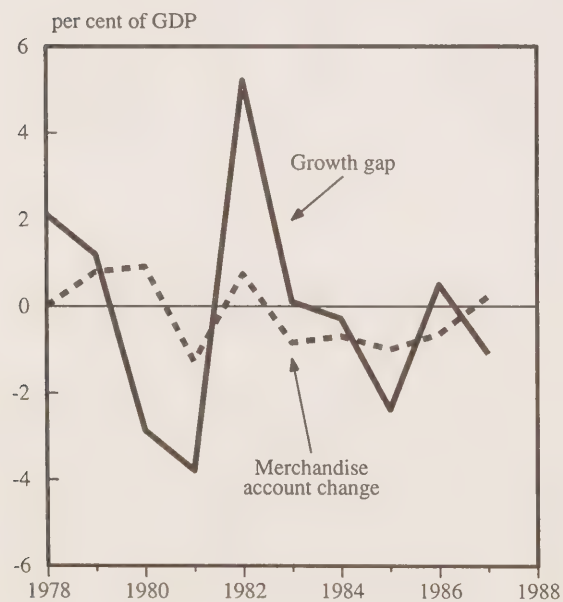
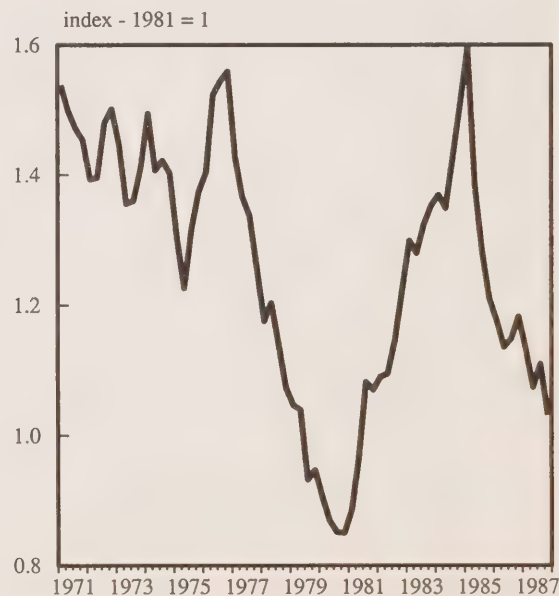


Chart 11.6

**Trade-Weighted Real
Exchange Rate With Japan,
FRG, U.K., France and Italy**



Germany, the U.K., France and Italy has improved substantially, and in 1987 an improvement in the merchandise trade account with the rest of the world had begun to occur.

The Net Foreign Investment Identity

Investment can be thought of as having three sources of funds. These are: private domestic saving, net government saving (the government budget surplus) and net foreign investment (the current account deficit). By definition, the sum of personal and corporate saving net of private investment, the total government balance, net foreign investment and the residual error of estimate, equals zero.

It is useful to examine the components of the net foreign investment identity to discern any historical patterns and the composition of the sources of investment over time. This is shown in Chart 11.7. It should be noted that net foreign investment differs slightly from the current account because net inheritances and migrants funds are not included in personal income in the national accounts.

From 1964 to 1974, private domestic saving was less than investment. This shortfall was made up by a combination of current account deficits and government budget surpluses. Private domestic saving and investment were roughly balanced from 1975 to 1981. However, the government balance moved into deficit in 1975, averaging 2.3% of GDP during this period. The difference was made up by roughly equivalent current account deficits. Investment plunged during the 1981-1982 recession with private domestic saving exceeding investment by an average of 6.5% of GDP from 1981 to 1985. With government deficits of similar magnitude during these years, the current account deficit disappeared and small surpluses were experienced. Since 1985 the savings-GDP ratio has fallen from the historically very high levels of the inflationary late 1970s and early 1980s. At the same time investment has been recovering and the excess of private domestic saving over investment has dropped by 4% of GDP. The government balance has also improved, but by less (2.4% of GDP), with the resulting shortfall being met by a return to current account deficit.

Implications of Current Account Deficits

The implications of current account deficits very much depend upon whether the deficits correspond to a consumption boom (and hence a reduction in the ratio of savings to GDP) or an investment boom. To the extent that current account deficits finance investment rather than consumption, there will be higher steady state capital stock and output growth which will ease the burden of servicing the foreign debt. The ratio of private domestic savings to GDP has fallen since 1985, however, this may be cyclical rather than secular, and in any case this rate remains above its historical average. Investment as a proportion of GDP showed a sharp cyclical drop-off in the 1982 recession, but has since been gradually recovering. The evidence does not suggest that the strong domestic growth which has been important in the development of recent current account deficits has been unduly weighted toward consumption as opposed to investment demand.

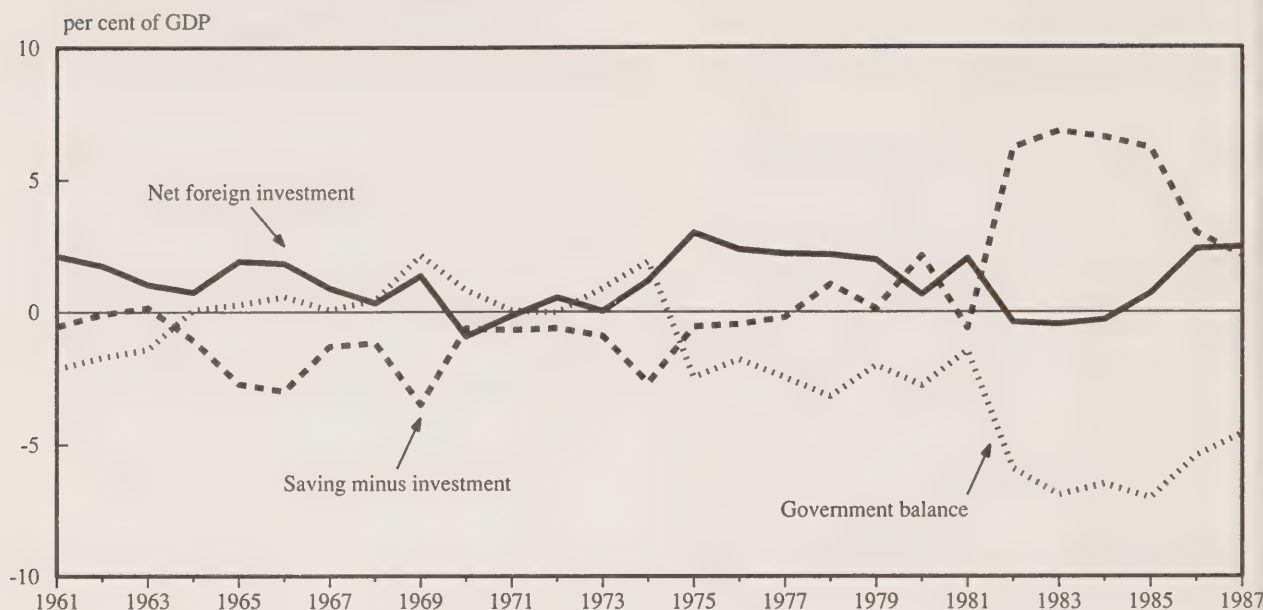
The Link Between the Current Account Balance and Net Foreign Indebtedness

In general, a current account deficit implies an equivalent capital account surplus and hence an increase in net foreign indebtedness over time. Historically, officially reported current account deficits have been significantly less than capital inflows and the increase in net foreign indebtedness. From 1970 to 1987 the current account deficit averaged 0.8%, capital inflows 1.8% and the annual change in net foreign indebtedness 3.2% of GDP. The difference between the current account and net capital outflows is a statistical discrepancy, while the gap between the capital account and the change in net foreign indebtedness is primarily the result of the omission of retained earnings from should properly be regarded as a simultaneous investment income payment and capital inflow.

The level of net foreign indebtedness as a proportion of GDP fell from 34% of GDP in 1970 to 26% of GDP in 1974, and then rose to 35% of GDP by 1979 when it levelled off until 1984. Between 1984 and 1987 it increased from 33 to 37% of GDP. Increasing net foreign

Chart 11.7

Saving, Investment and Government Balance Components of Net Foreign Investment Identity



indebtedness as a proportion of GDP will lead to higher current account deficit to GDP ratios via higher investment income payments unless there are compensating declines in the rate of return on net foreign debt or in other components of the current account.⁽²⁾

Conclusion

Recent current account deficits are not large by historical standards when measured as a proportion of GDP. Larger deficits were experienced in the 1950s and 1970s without negative long term implications. One source of Canadian current account deficits has been substantial imports of machinery and equipment which has served to augment Canadian capital stock and potential output growth.

The movement to current account deficit in 1986 and 1987 was primarily the result of a deterioration in the merchandise trade account with the overseas economies from 1982 to 1986. This was caused by faster growth in Canada than overseas and a sharp appreciation in the trade-weighted real exchange rate with the

overseas economies from 1980 to 1985.

From 1985 to 1987 the trade-weighted real exchange rate with the overseas economies has rapidly depreciated, however the lagged response of exports and imports has meant that the merchandise trade account has been slow to turn around.

Recently, the savings-GDP ratio has fallen from the historically very high levels of the late 1970s and early 1980s while investment has gradually recovered from the 1982 trough. The government balance has also improved, but by less than the decline in the saving-investment gap, with the resulting shortfall being met by a shift to current account deficit.

The net foreign debt to GDP ratio has risen since the mid-1970s as has the investment income account deficit. The delayed effects of improved competitiveness with the overseas economies could lead to an improvement in the merchandise account with those countries, facilitating the achievement of stability in the ratio of net foreign debt to GDP.

(2) For more detail on Canada's external debt, refer to James F. McCollum, "Foreign Assets and Liabilities in Canada", *Quarterly Economic Review*, December, 1987.

CAI
FN
-E16

Quarterly Economic Review

December 1988



Quarterly Economic Review

December 1988



Department of Finance
Canada

Ministère des Finances
Canada

Cette publication est également offerte en français.

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, the Organization for Economic Co-operation and Development (OECD) and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is December 2, 1988.

Comments or questions should be directed to Richard Egelton (613 992-9324), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Contents

1. The Economy in Brief	1
Growth in real gross domestic product (GDP) slowed to an annual rate of 2.6% in the third quarter, from the 3.3% average rate recorded during the first half of the year.	
Growth continued to be led by final domestic demand.	
2. Personal Sector	5
Consumer expenditure growth remained strong in the third quarter, in response to a sharp increase in real personal disposable income. The savings rate increased slightly to 8.4%, but remained near a level consistent with contractual savings requirements.	
3. Housing Sector	9
Residential investment rebounded in the third quarter after declining during the previous three quarters. At an average annual rate of 227,000 units, housing starts remained above estimated housing requirements.	
4. Business Non-Residential Investment	11
Business investment continued to serve as one of the primary sources of growth during the quarter, although machinery and equipment investment grew much more slowly than in previous quarters. Corporate profits rose at an annual rate of 16.3%.	
5. Business Inventories	15
Inventory investment increased only slightly in the third quarter. This reflects a sharp reduction in the rate of non-farm inventory accumulation and an offsetting easing in the pace of farm inventory liquidation.	
6. Government Sector	17
The federal government deficit on a Canadian Income and Expenditure Accounts basis decreased \$1.3 billion to \$20.6 billion in the third quarter. In the first three quarters of the year, the federal deficit was \$2.7 billion lower than the corresponding period a year earlier. The improvement in the total government deficit over this period was \$7.9 billion, as the provincial-local-hospital sector, in aggregate, swung from a deficit to a surplus position.	
7. Foreign Trade	19
The current account deficit decreased \$1.7 billion to \$7.8 billion in the third quarter. The improvement in the current account was the result of a sharp rise in the terms of trade as the real trade balance declined.	
8. The Labour Market	23
Despite an increase of 66,000 jobs in November, employment growth has slowed since May relative to the rapid pace in recent years. The unemployment rate averaged 7.8% in the first 11 months of the year.	
9. Price and Wage Sector	27
Consumer price inflation remained fairly stable at around 4% during the first ten months of 1988, but excluding the more volatile food and energy components the rate of inflation has stayed close to 5%. In the third quarter, unit labour costs were 2.9% higher than a year earlier. Private sector wage settlements were above 5% for the second consecutive quarter and this is a growing cause for concern with respect to future cost and price increases and competitiveness.	

10. Financial Sector

31

Short-term interest rates have risen appreciably during the year to levels currently above long-term rates, reflecting concerns about underlying inflationary pressures associated with the continuing strong momentum of final domestic demand growth.

1. The Economy in Brief

Highlights of the Third Quarter

- Real output advanced at an annual rate of 2.6% in the third quarter, following increases of 5.1% on average since the beginning of 1987. Growth in real gross domestic product continued to be domestically based in the third quarter as final domestic demand rose 4.2% with strength in consumer expenditure, business investment and residential construction.
- The rate of inflation, as measured by the consumer price index, has remained relatively stable in the 4% range during 1988. Excluding the more volatile food and energy components, however, the rate of inflation has been running close to 5% and private sector wage settlements have exceeded 5% for two consecutive quarters. In response to concerns about the momentum of growth and the associated inflationary pressures, Canadian short-term interest rates are now over 200 basis points above year-end 1987 levels.
- Despite a sharp increase in employment of 66,000 in November, the pace of job creation has slowed since May to an average annual rate of 1.3%. The slowdown in employment gains has been accompanied by a similar easing in labour force growth and the unemployment rate has remained relatively stable in the 7.6% to 8% range.

Summary

Real gross domestic product (GDP) at market prices grew 2.6% in the third quarter, led by sustained strength in final domestic demand. Final domestic demand has grown stronger than real GDP growth in almost every quarter since 1984 (Chart 1.1). Growth in the third quarter reflected continued strong increases in consumer spending, particularly durable goods, and in business capital outlays. Residential investment rebounded from a decline over the previous three quarters, due to strong growth in new house construction, especially in Ontario and the West. Housing starts averaged 227,000 units at an annual rate during the third quarter, a level well above estimated housing requirements. The real merchandise trade balance deteriorated significantly during the quarter, but due to a further increase in the terms of trade, the current account deficit decreased substantially to \$7.8 billion. The deterioration in the real trade balance since the beginning of the year reflects the strong growth in import-sensitive categories of final demand, such as consumer durables and machinery and equipment investment, and the sharp appreciation of the Canadian dollar against the U.S. dollar since early 1986.

Chart 1.1

Change in Real GDP and Final Domestic Demand

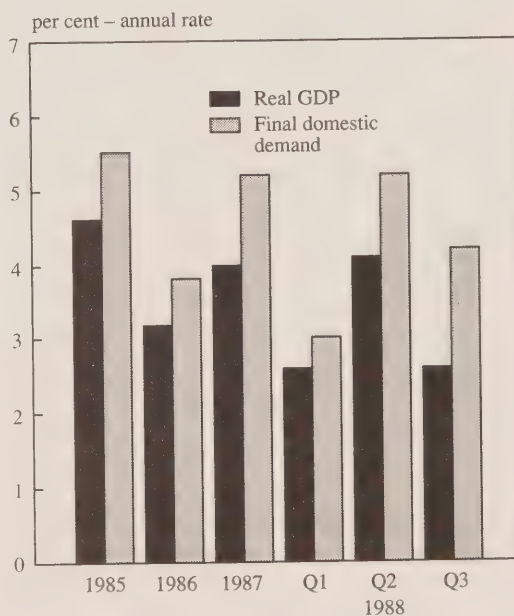


Chart 1.2

The Current Account Deficit

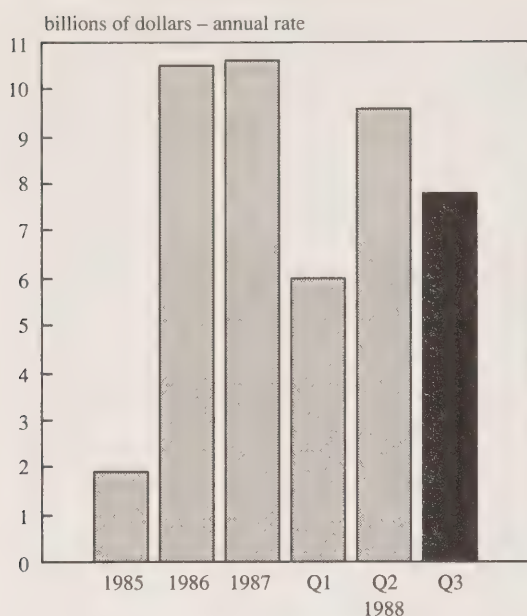
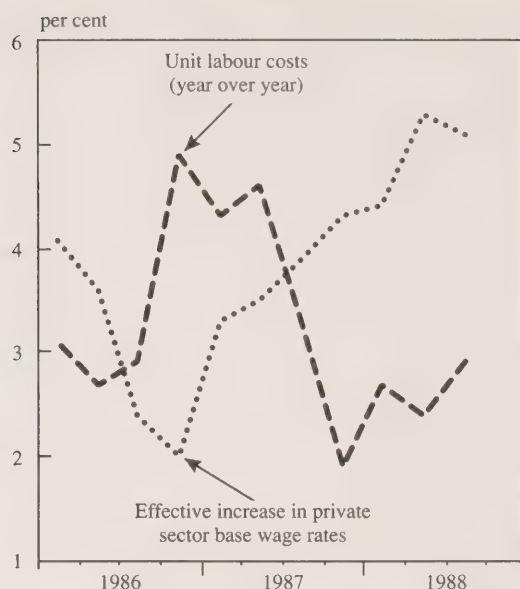


Chart 1.3

Unit Labour Cost Growth and Private Sector Wage Settlements



Main Economic Indicators

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1986	1987	1987			1988		
			Q2	Q3	Q4	Q1	Q2	Q3
Real gross domestic product	3.2	4.0	5.1	6.2	6.5	2.6	4.1	2.6
Final domestic demand	3.8	5.2	8.7	7.2	8.0	3.0	5.2	4.2
Consumption	4.3	4.7	8.0	5.0	6.6	-0.3	4.1	4.5
Residential construction	13.3	15.7	26.3	15.7	-4.2	0.0	-1.1	4.9
Business fixed investment	3.2	8.8	20.3	23.8	28.0	14.9	15.1	6.1
Non-residential construction	-5.4	1.0	25.9	31.6	17.9	1.6	6.0	7.3
Machinery and equipment	10.6	14.6	16.8	19.0	35.0	24.0	21.0	5.5
Business inventory investment (\$b,a.r.)	3.4	1.6	0.7	0.9	4.1	0.0	0.2	0.4
Non-farm	1.8	1.8	1.0	0.9	4.7	4.0	4.0	1.2
Trade balance (\$b,a.r.)	13.8	11.5	11.9	11.5	7.3	10.3	8.3	6.9
Current account balance (\$b,current,a.r.)	-10.5	-10.6	-10.3	-11.1	-13.4	-6.0	-9.6	-7.8
Incomes								
Real personal disposable income	1.4	3.1	4.6	0.8	3.8	-1.0	3.1	6.3
Profits before taxes	-5.4	24.1	42.0	18.1	18.1	3.4	13.1	16.3
Costs and prices (%Y/Y)								
GDP price deflator	2.5	4.3	4.7	4.3	4.4	4.2	3.6	4.4
Consumer price index	4.1	4.4	4.6	4.6	4.2	4.1	4.0	4.0
CPI – energy component	-7.1	2.6	4.1	8.1	9.9	4.5	1.9	-0.7
CPI – excluding food and energy	5.3	4.6	4.4	4.4	4.3	4.6	4.8	4.6
Unit labour costs	3.4	3.5	4.6	3.3	1.9	2.7	2.4	2.9
Labour market								
Unemployment rate	9.6	8.9	9.1	8.7	8.2	7.9	7.7	7.9
Employment	2.9	2.8	4.5	2.9	4.9	4.5	2.0	1.2
Financial developments								
Exchange rate (end of period) (U.S.cents)	72.44	76.96	75.08	76.26	76.96	80.98	82.41	82.18
Prime interest rate (end of period)	9.75	9.75	9.50	10.00	9.75	9.75	10.75	11.75

Sources: Statistics Canada and the Bank of Canada.

Consumption Growth Picks Up

After a decline in the first quarter, consumer spending regained its previous momentum in the second and third quarters, growing at an average annual rate of 4.3%. Growth in consumer expenditure in the third quarter was supported by a sharp increase in real personal disposable income due, in part, to the personal income tax rate reductions that were reflected in withholding schedules on July 1 as part of Stage One of Tax Reform. Lower import prices, as a result of the appreciation of the Canadian dollar, also contributed to the strong consumer demand. The personal savings rate moved up to 8.4% from 8.0% in the previous quarter and remains in a range consistent with the contractual savings rate. Although consumers continue to be in a relatively healthy financial situation, the low personal savings rate combined with rising consumer debt burdens should restrain consumer spending growth to that of real personal disposable income in the near term.

Continued Strength in Business Investment

After five quarters at an unsustainably strong pace – 17.8% at annual rates – growth in business non-residential investment slowed to 6.1% in the third quarter. Spending on machinery and equipment increased 5.5%, following increases averaging close to 20% since the end of 1986. Non-residential construction posted a 7.3% gain in the third quarter. The strong growth in investment during the quarter was bolstered by a further 16.3% rise in corporate profits before taxes and the need to increase production capacity in response to the high utilization rates prevailing in many industries.

Turnaround in Residential Investment

Residential construction expenditures grew 4.9% in the third quarter, after posting declines over the previous three quarters. The strength in residential investment was the result of increases in new house construction as real spending on alterations and improvements was unchanged and real estate commissions dropped. Housing starts remained above estimated housing requirements during the

quarter, reducing further the pent-up demand which has accumulated since the early 1980s as a result of the 1981-1982 recession.

Current Account Balance Improves

The current account deficit declined in the third quarter to \$7.8 billion. Thus far in 1988, the current account deficit has averaged \$7.8 billion, down significantly from the \$10.6 billion deficit recorded in 1987 (Chart 1.2). The improvement in the third quarter in the current account balance resulted from a strong increase in the merchandise terms of trade (9.8% at annual rates), with export prices of grains, coal, aluminium, zinc and pulpwood all rising during the quarter. The real trade balance, on the other hand, deteriorated further to \$6.9 billion, reducing real GDP growth by 1.3 percentage points at annual rates.

Inflation Remains Stable But Pressures Continue

The rate of inflation, as measured by year-over-year changes in the consumer price index (CPI), has fluctuated in a very narrow range over the course of 1988, reaching a low of 3.8% in July and a high of 4.2% in October. The stability of consumer price inflation is also depicted by the small variations of the GDP fixed-weighted price deflator for consumer goods, which increased at around 3.5% on a year-over-year basis during the first three quarters of 1988. However, to a significant degree the relative stability of consumer price inflation has been due to declines in energy prices. Excluding energy, consumer price inflation is currently running close to 5%. The total GDP implicit deflator rose sharply (5.2% at annual rates) in the third quarter, but this was primarily the result of the substantial improvement in Canada's terms of trade. The fixed-weighted deflator for final domestic demand, which abstracts from terms-of-trade influences, posted a much more moderate gain of 3.8% in the quarter. The GDP deflator in the third quarter was 4.4% above a year earlier.

Unit labour cost increases continued at a moderate pace during the quarter to a level 2.9% above a year earlier (Chart 1.3). However, private sector wage settlements remained above 5% in the third quarter.

Stable Unemployment Rate

Despite a sharp 66,000 increase in jobs in November, employment growth has on average been modest since May, and the labour force has moved with a similar pattern. As a result, the unemployment rate has remained stable at around 7.8%. Nevertheless, labour markets have tightened appreciably in some parts of the country, particularly in Ontario where the rate of unemployment is at a 14-year low of 5.1%. In addition, the proportion of the labour force affected by unemployment is at record lows.

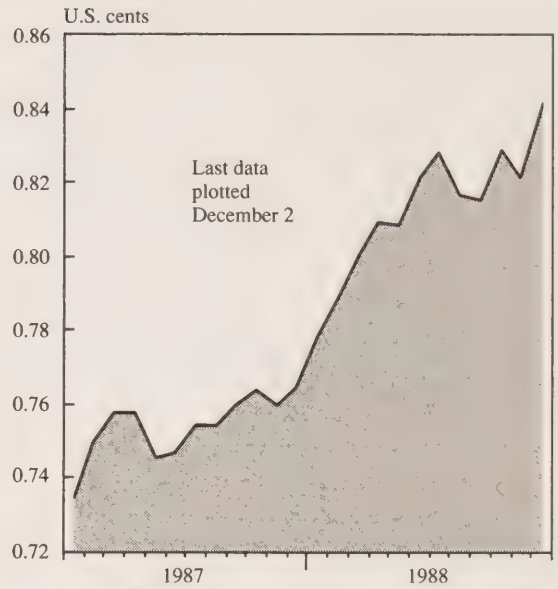
Short-Term Interest Rates Up

While long-term interest rates have remained relatively stable in 1988, short-term rates have risen steadily in both Canada and the U.S. in response to concerns over the consequences for inflation of the continuing strong pace of economic growth. The short-term interest rate differential between Canada and the U.S. is currently around 160 basis points, down from near 200 basis points earlier this year, but up slightly from the average in

1987. The Canadian dollar, which had been trading in the U.S. \$0.81-0.83 range in the July-October period, moved above U.S. \$0.84 recently (Chart 1.4).

Chart 1.4

Value of Canadian Dollar Since 1987

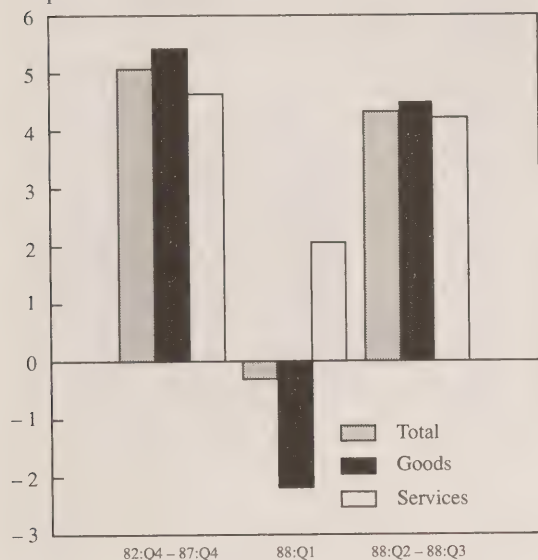


2. Personal Sector

Chart 2.1

Change in Real Personal Expenditure

per cent – annual rate

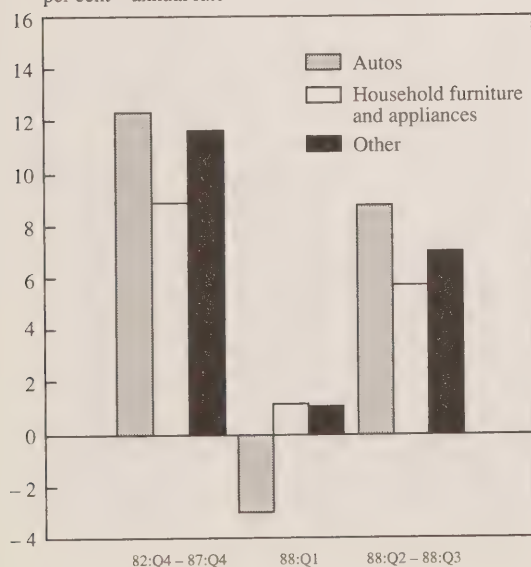


After a pause in the first quarter, real consumer spending rebounded sharply in the subsequent two quarters to rates only slightly below the strong pace of expansion from 1983 through 1987. With the strengthening in disposable income growth, particularly in the third quarter, and the realization that the October 1987 stock market correction was not a precursor to a recession, consumers increased real spending at an average annual rate in excess of 4% in the second and third quarters of this year.

Chart 2.2

Growth of Consumer Spending on Durable Goods

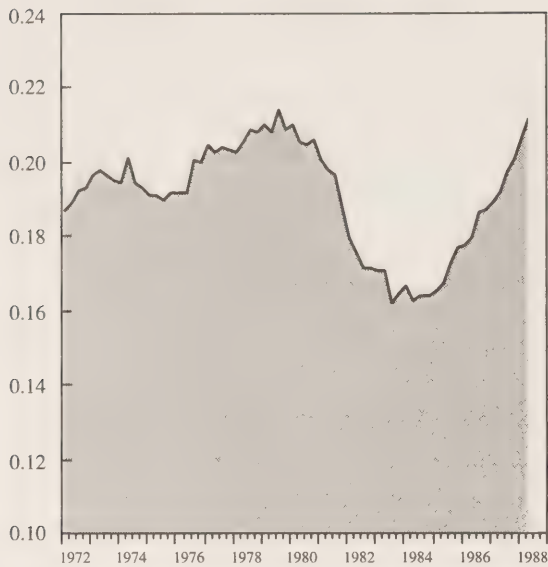
per cent – annual rate



Over the last six years, growth in consumer expenditure has been led by the strength in durables spending as consumers have attempted to satisfy the pent-up demand for durables that emanated from the 1981-1982 recession. In addition, the strong growth in household wealth has been directed increasingly at higher quality durable products. The introduction of new popular products, such as VCRs and personal computers, has encouraged a rapid increase in other durables expenditures.

Chart 2.3

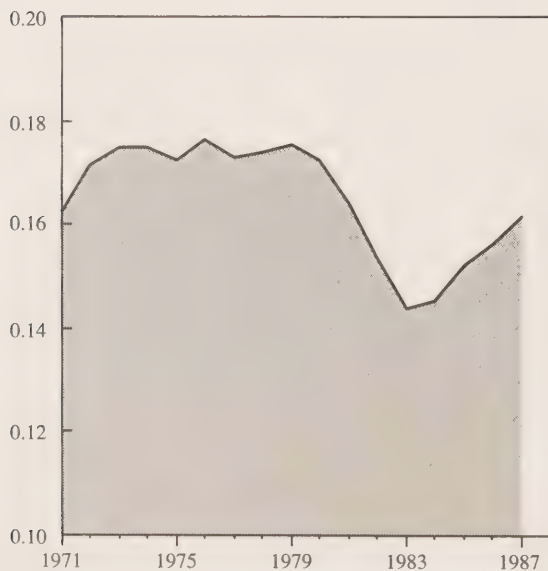
**Ratio of Consumer Debt
to Personal Disposable Income**



Strong growth in the consumption of durables, a significant portion of which is typically purchased on credit, has led to a sharp rise in the level of consumer indebtedness. In the second quarter of 1988 (the last period for which data on consumer debt are available), the ratio of consumer debt to personal disposable income was at its second highest level on record.

Chart 2.4

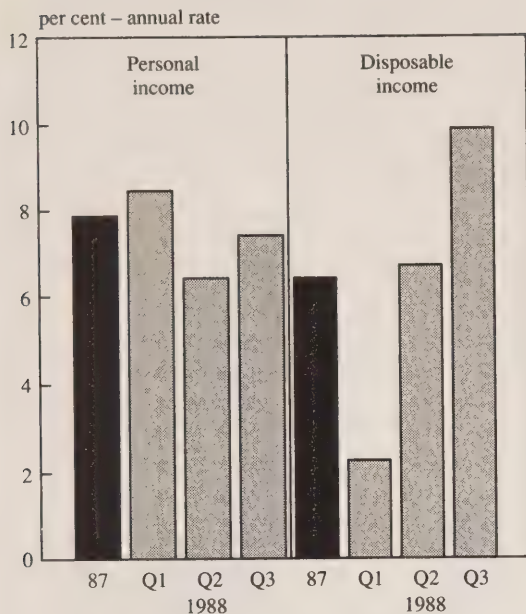
**Ratio of Consumer Debt to
Personal Interest-Bearing Assets**



To some extent, however, the ability of the personal sector to carry large debt burdens has been strengthened by the rapid growth in the stock of interest-bearing assets (total financial assets minus corporate shares and insurance and pension assets). Consumer debt as a ratio of personal interest-bearing assets in 1987 (the last period for which data were available) was 6% below average 1970s levels.

Chart 2.5

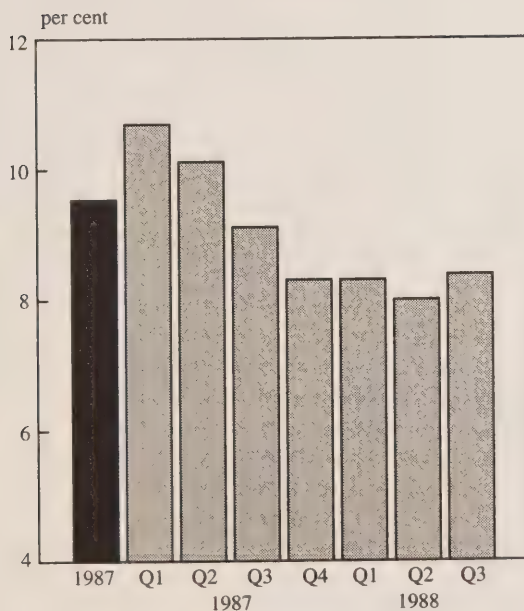
Change in Personal Income and Personal Disposable Income



Growth in personal income continued in the third quarter at a pace near the 1987 average. However, personal disposable income rose sharply in the quarter in response to the reduction in the average personal tax rate, as Stage One of Tax Reform began to be reflected in withholding tax schedules in July.

Chart 2.6

The Personal Savings Rate



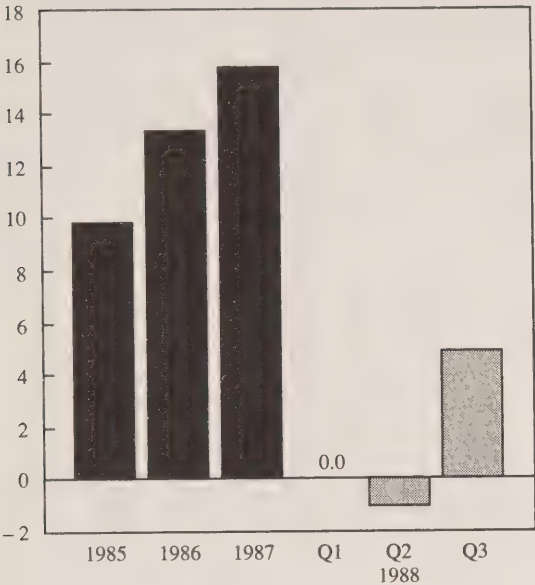
The personal savings rate increased from 8.0% in the second quarter, its lowest level since 1972, to 8.4% in the third quarter. Over the past five quarters, the personal savings rate has remained close to the contractual savings rate estimated to be about 8 1/2%. The drawdown of the large discretionary element in savings from its peak in 1983 suggests that in the near term, consumer spending can be expected to grow at a pace closer to that of personal disposable income.

3. Housing Sector

Chart 3.1

Change in Real Residential Investment

per cent – annual rate



In the third quarter, real residential investment increased for the first time in four quarters, as a sharp recovery in new construction in response to higher housing starts was only partially offset by a decline in real estate commissions. However, relative to the strong increases in the past three years, residential investment has remained largely unchanged on average in 1988.

Chart 3.2

Change in Real Residential Investment by Category

per cent – annual rate

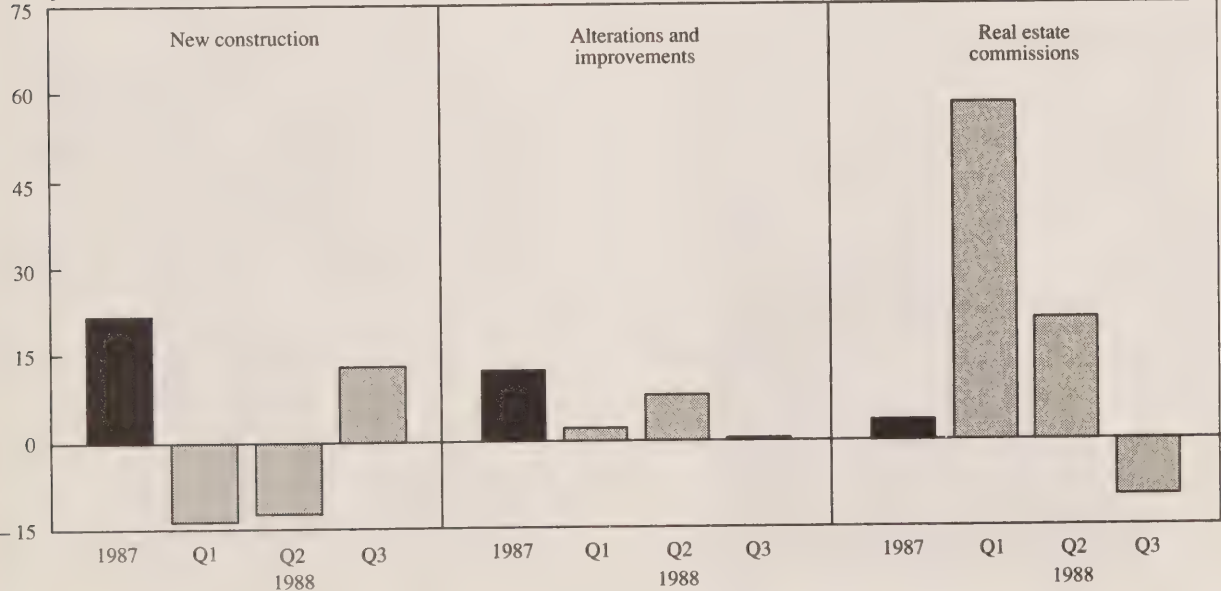
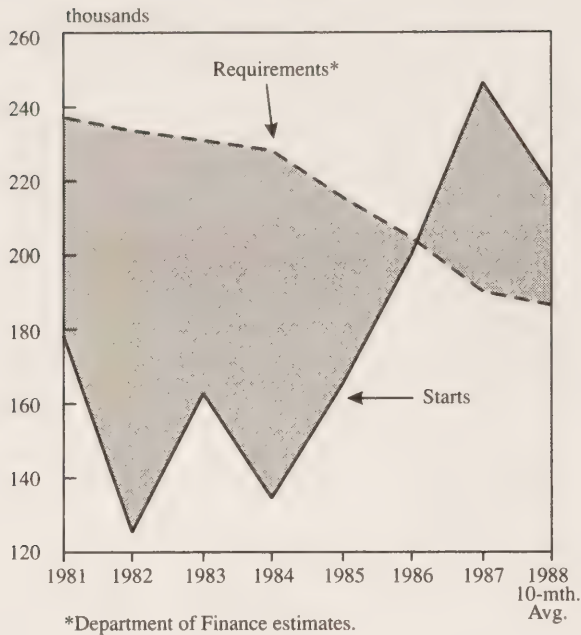


Chart 3.3

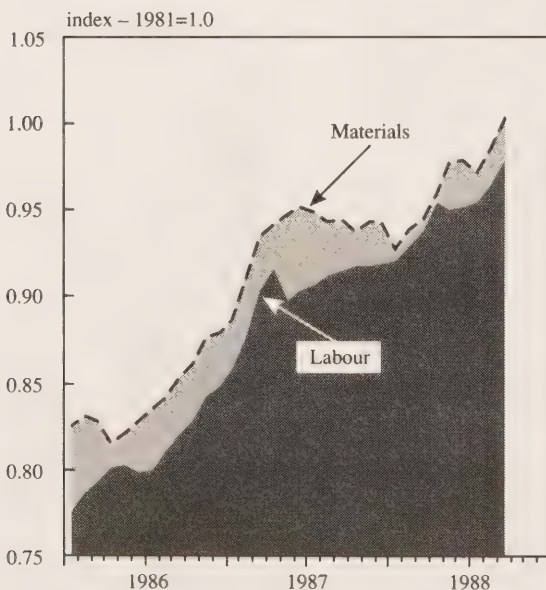
Housing Starts and Housing Requirements



Despite a decline in the first ten months of 1988 relative to 1987, housing starts remained above estimated requirements (based on household formation and replacement of demolished housing) for the second consecutive year. However, this has only partially fulfilled the substantial shortfall of housing starts relative to requirements that accumulated in the first half of the 1980s. As a result, there remains a strong pent-up demand for housing.

Chart 3.4

Ratio of New House Prices (Exclusive of Land) to Construction Costs



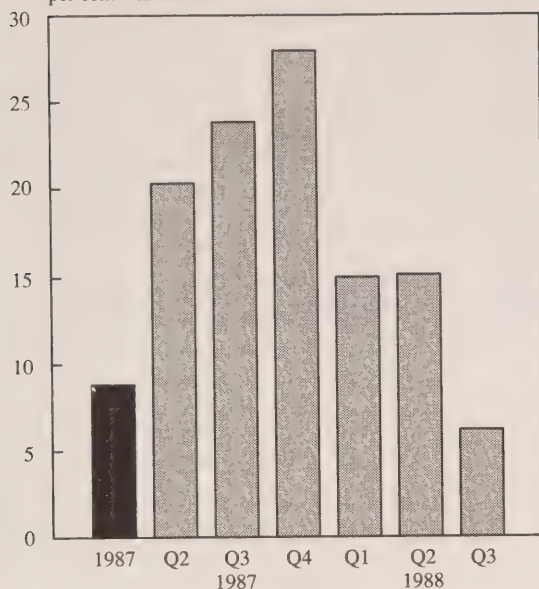
New house prices (excluding land costs) have risen at a much faster pace than the cost of materials and labour for three consecutive years in response to the strong pent-up demand for housing. This has contributed to a strong improvement in the profitability of new housing construction.

4. Business Non-Residential Investment

Chart 4.1

Change in Total Real Business Fixed Investment

per cent – annual rate

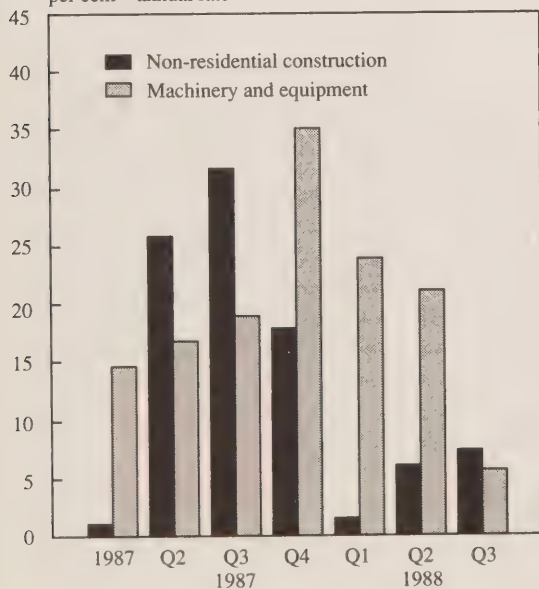


After five consecutive quarters of double-digit growth, the expansion in non-residential business investment slowed to 6.1% in the third quarter. To date in 1988, investment is 19.2% above the same period a year earlier. The pace of investment activity remained ahead of overall growth in the third quarter, which should give rise to an easing of capacity constraints in many industries.

Chart 4.2

Change in Real Business Fixed Investment, by Type

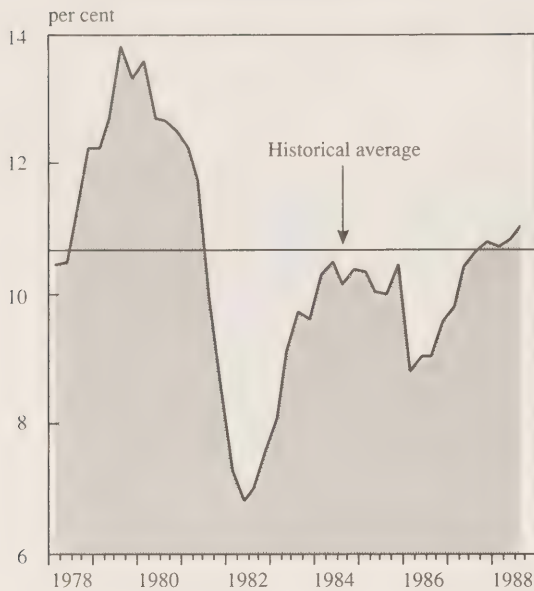
per cent – annual rate



Investment growth became more balanced in the third quarter as growth in machinery and equipment investment slowed significantly while non-residential construction investment posted stronger gains. The slower growth in machinery and equipment investment in the third quarter follows an unsustainably strong pace during the past year and a half. To date in 1988, investment in machinery and equipment is 23% higher than during the same period in 1987, while the level of non-residential construction investment is 13.3% higher.

Chart 4.3

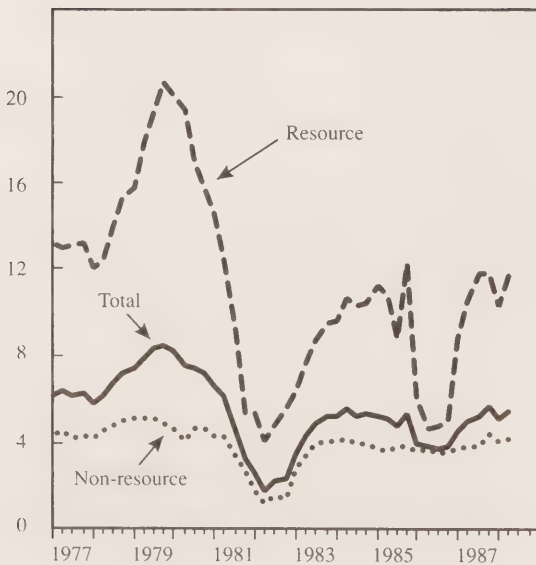
Corporate Profits as a Share of Gross Domestic Product



The rapid pace of business investment in 1987 and 1988 has been underpinned by a strong improvement in corporate profitability. Since recovering from the oil price collapse early in 1986, corporate profits before taxes have posted average quarterly gains of 18.2% at annual rates. Combined with strong growth earlier in the recovery period, this has lifted the share of corporate profits in nominal GDP to above historical average levels from the postwar low reached during the 1981-82 recession. The rise in profits has greatly contributed to the restoration of corporate balance sheet positions to pre-recession levels.

Chart 4.4

Sales Margins of Large Industrial Corporations

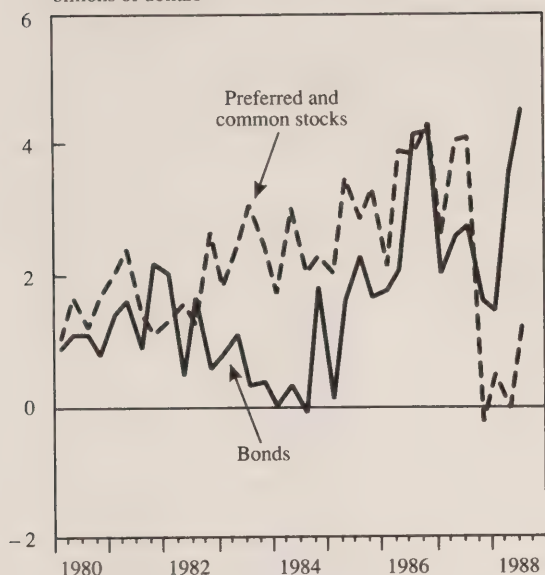


Industries within the non-resource sector experienced a rapid recovery in sales margins during 1983 and have maintained this level of profitability since, in line with their pre-recession performance. The degree of profitability within the resource sector has been much more variable owing mainly to the volatility of commodity prices (notably energy products). Nonetheless, sales margins in the resource sector have improved noticeably from recession levels, and except for a brief period in 1986 when world oil prices collapsed, have remained near levels prevailing in the mid-1970s.

Chart 4.5

Net New Corporate Securities Issued in Canada and Abroad

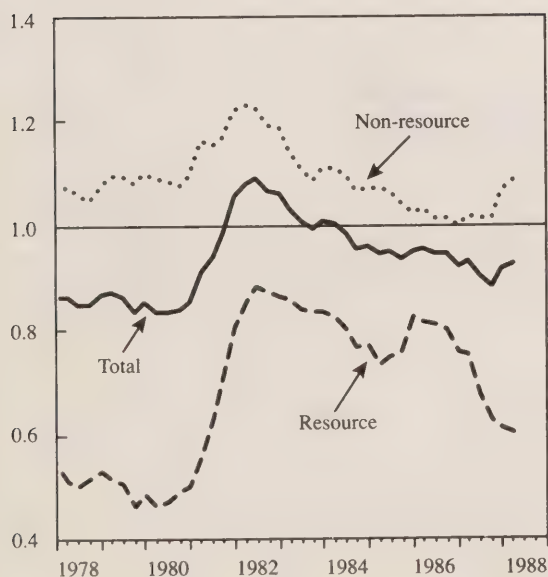
billions of dollars



The stock market correction of 1987 has significantly changed the mix between bond and equity financing. Prior to October 1987, net new equity issues outpaced debt issues virtually throughout the recovery period. However, net new equity issues plummeted in the fourth quarter of 1987 and remained weak during the first half of 1988 while debt issues increased substantially.

Chart 4.6

Debt-to-Equity Ratio of Large Industrial Corporations



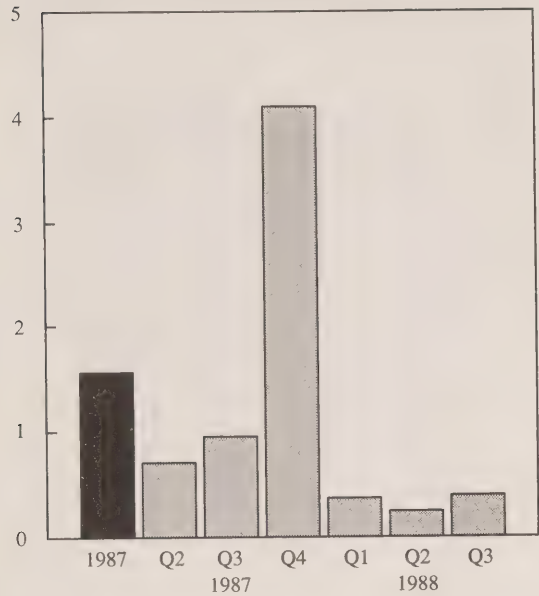
After improving steadily throughout the recovery, corporate leverage, as measured by the debt-equity ratio, deteriorated in 1988 as equity growth slowed dramatically following the October 1987 stock market downturn. This deterioration occurred among non-resource industries. Although industries within the resource sector currently remain more highly leveraged than prior to 1981, they have experienced a notable improvement since early 1986.

5. Business Inventories

Chart 5.1

Real Business Inventory Investment

billions of 1981 dollars – annual rate



Although total real inventory investment increased only slightly in the third quarter from the second quarter level, there was a large shift in the sectoral composition. Non-farm inventory accumulation dropped to \$1.2 billion in the third quarter from \$4.0 billion in each of the previous two quarters; much of this slowdown resulted from significant decumulations in wholesale trade and gold inventories. However, this slower growth in non-farm inventory stocks was largely offset by a much smaller rate of decumulation in farm inventories; this follows large decumulations earlier in the year to meet demand requirements in the face of lower production caused by drought conditions.

Chart 5.2

Components of Real Business Inventory Investment

billions of 1981 dollars – annual rate

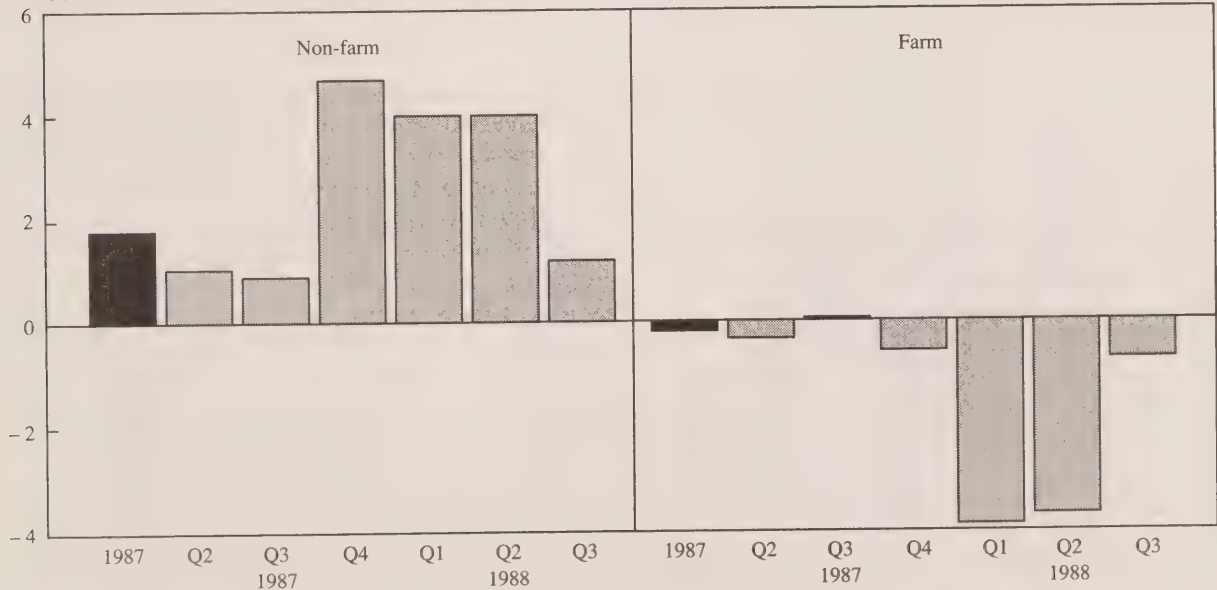
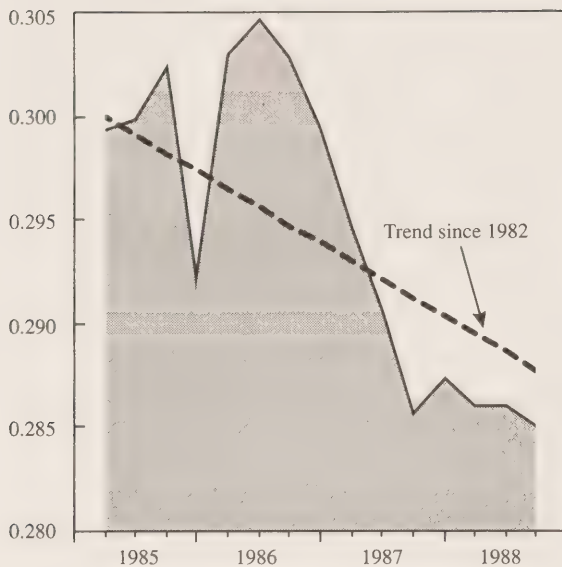


Chart 5.3

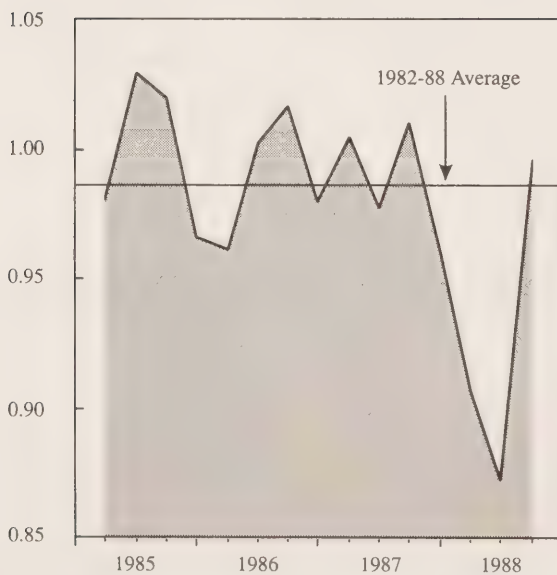
Non-Farm Business Inventory-to-Sales Ratio



Lower inventory accumulations in the third quarter contributed to a further decline in the non-farm inventory-to-sales ratio, maintaining the gap between this ratio and its post-recession trend level. The inventory-to-sales ratio has declined since early 1986, commensurate with a very strong pace of economic growth during this period. With the economy returning to a more moderate pace of growth, the inventory-to-sales ratio should rise towards its trend level as businesses adjust production to move inventory holdings closer to their desired long-run levels.

Chart 5.4

Agriculture Inventory-to-Sales Ratio



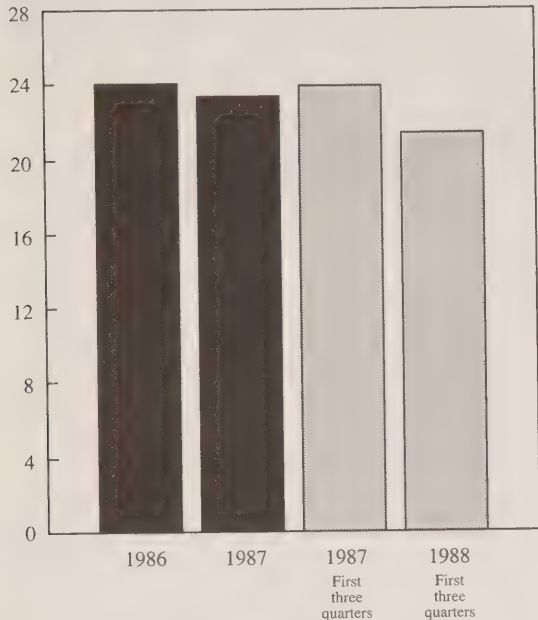
The farm sector inventory-to-sales ratio rebounded sharply during the third quarter in response to a much slower rate of inventory decumulation and a further sharp reduction in farm sales as a result of the drought. The sharp decline in this ratio earlier this year reflects the fact that sales levels were largely supported through reductions in inventory stocks.

6. Government Sector

Chart 6.1

Federal Deficit (CIEA Basis)

billions of dollars – seasonally adjusted at annual rate



In the first three quarters of 1988, the federal deficit on a Canadian Income and Expenditure Accounts basis (CIEA) was \$21.3 billion (Chart 6.1) down \$2.7 billion from its level in the same period of 1987.

In the first three quarters of 1988, revenues were 12.6% above their year-earlier level (Chart 6.2). Revenue growth was broadly based. Direct taxes from persons were 13.3% higher than a year ago and indirect taxes 7.4% higher. Direct taxes from corporations were up 15.4%. Other revenues rose 17.4%, reflecting increased investment income. Spending increased 7.9% on a year-over-year basis. Expenditure growth was led by interest on the public debt (up 14.5%) and transfers to other levels of government (8.4%). Transfers to persons rose 4.3%.

Chart 6.2

Change in Federal Government Revenues and Expenditures in the First Three Quarters of 1988 (CIEA Basis)

per cent – year over year

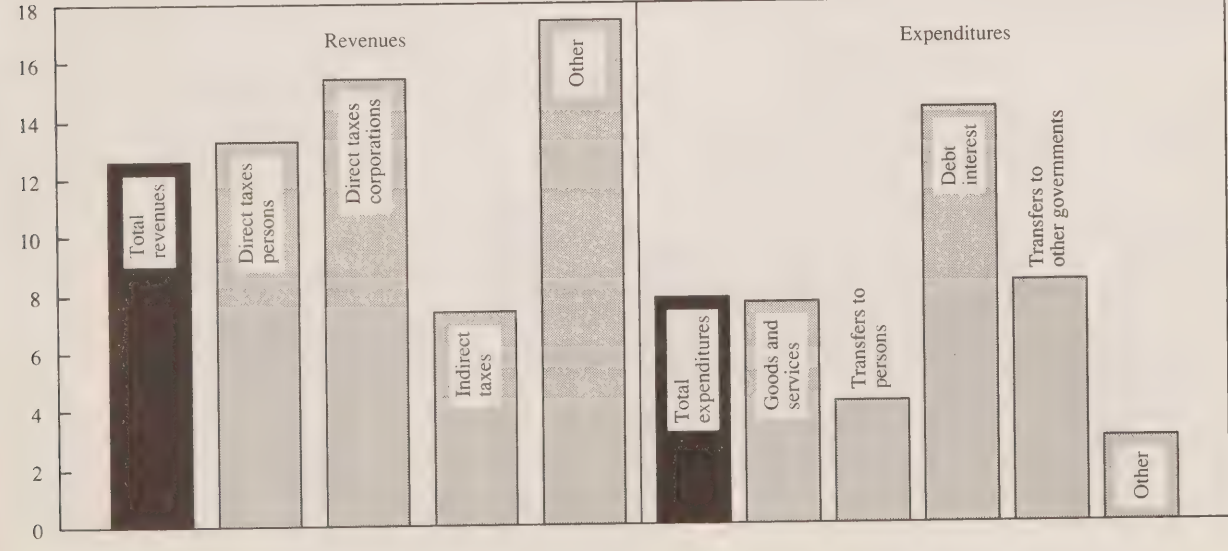
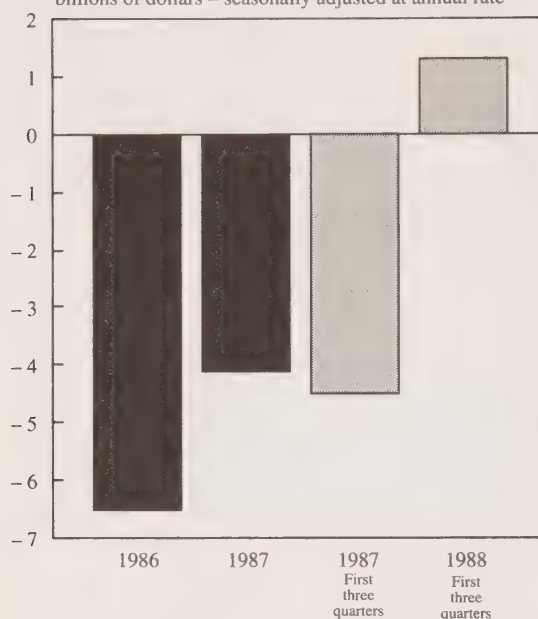


Chart 6.3

Provincial-Local-Governments and Hospitals Balance (CIEA Basis)

billions of dollars – seasonally adjusted at annual rate



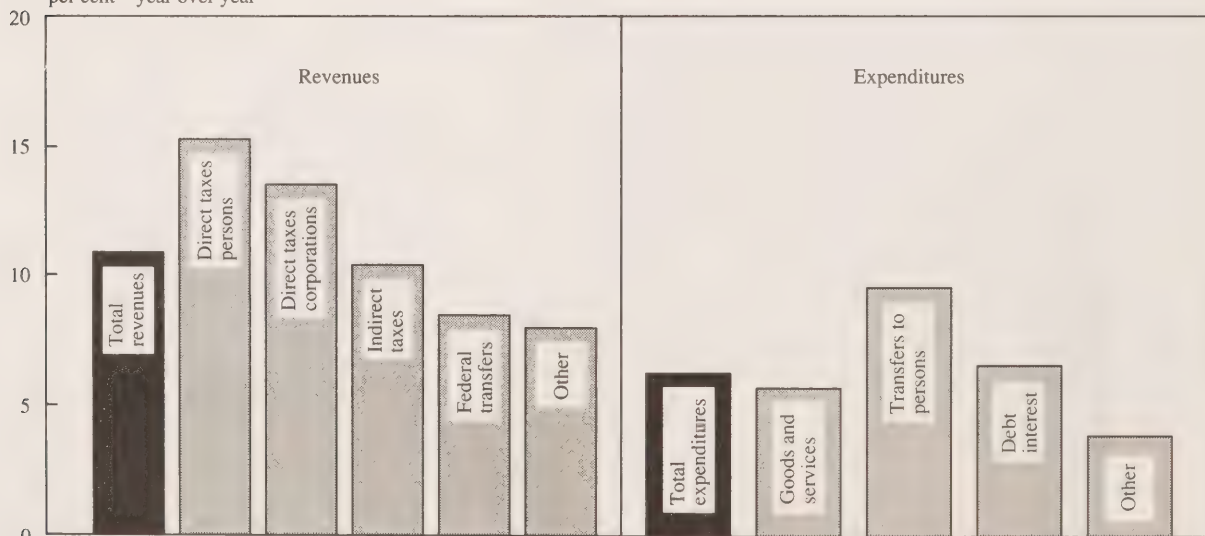
The consolidated budget balance for the provincial-local-hospital sector improved to reach a surplus of \$1.3 billion in the first three quarters of 1988; this compares with a \$4.5 billion deficit in the same period in 1987 (Chart 6.3). The substantial swing in the balance for this sector, which was particularly evident at the local government level, followed from the combined effect of muted expenditure growth and strong increases in revenues.

In the first three quarters of 1988, revenues grew by 10.9% (year over year), while expenditures rose 6.4% (Chart 6.4). As with the federal government, the strength in revenues was widespread, led by direct taxes from persons, which posted a 15.3% increase. Expenditure growth was led by transfers to persons (up 9.8%).

Chart 6.4

Change in Provincial-Local Governments and Hospitals Revenues and Expenditures in the First Three Quarters of 1988 (CIEA Basis)

per cent – year over year

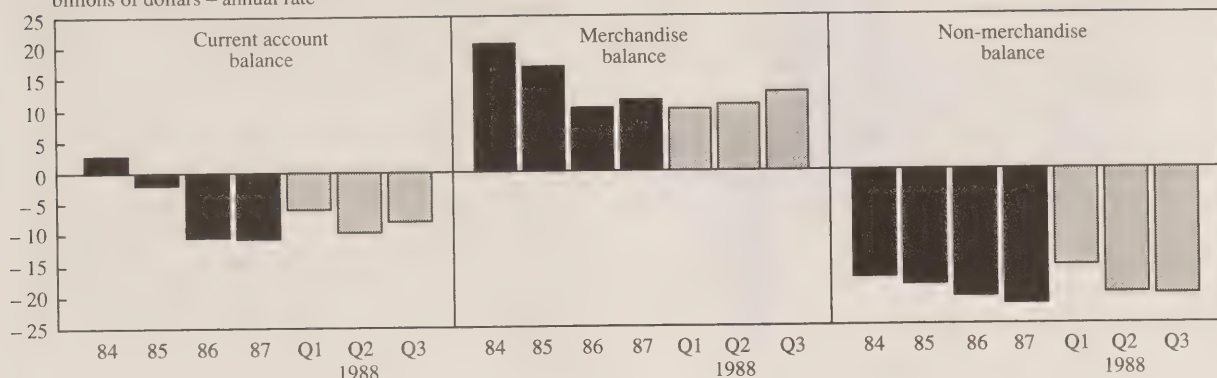


7. Foreign Sector

Chart 7.1

Current Account Balance

billions of dollars – annual rate



The current account balance improved in the third quarter, as the merchandise trade surplus increased while the deficit on non-merchandise transactions remained virtually unchanged (Chart 7.1). The improvement in the merchandise balance reflected a further sharp increase in export prices, which partially offset lower volumes, and a significant decline in the value of imports. Within non-merchandise transactions, an improvement in the balance for investment income offset deteriorations in the balances for services and net

transfers to other nations. However, the real trade balance for goods and services deteriorated somewhat, continuing a trend that began several years ago (Chart 7.2). Most of the deterioration in the real trade balance since 1984 reflects the relatively strong growth in consumer durables expenditure and machinery and equipment investment – both import-sensitive categories of final demand – and, since early 1986, the appreciation of the Canadian dollar vis-à-vis its U.S. counterpart.

Chart 7.2

Real Trade Balance of Goods and Services

billions of 1981 dollars – annual rate

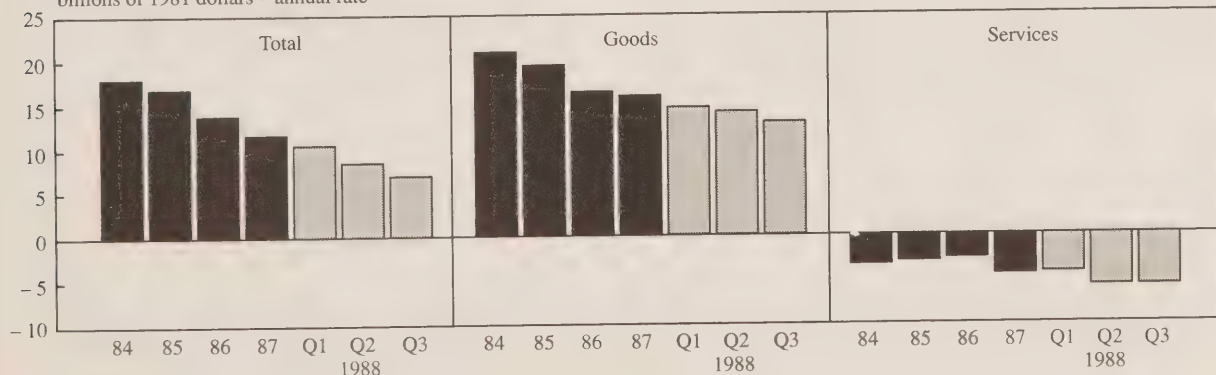
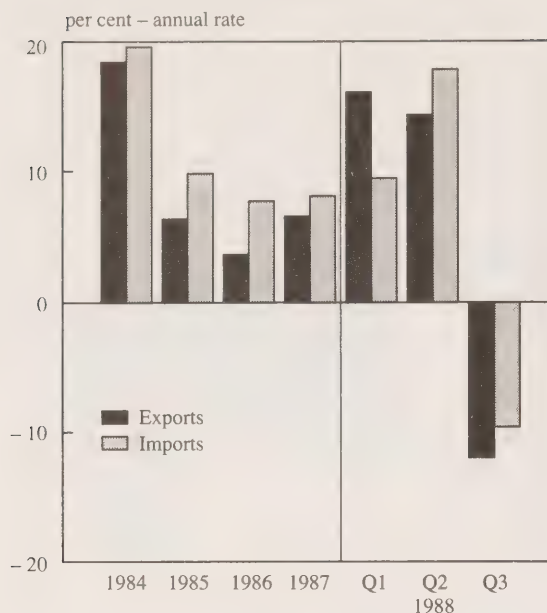


Chart 7.3

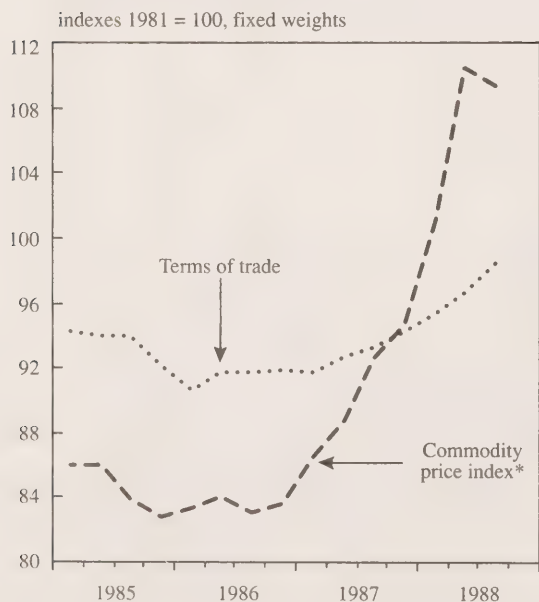
Change in Real Merchandise Exports and Imports



The volume of both exports and imports declined sharply in the third quarter, following extremely robust growth in the first half of the year. Exports of wheat and other agricultural products declined most noticeably, as strong exports sales in the previous two quarters and the impact of the drought reduced grain inventories, limiting the amount of wheat available for export. On the import side, significant reductions in machinery and equipment – after several quarters of extremely strong growth – and declines in imports of automotive and energy products were evident in the third quarter.

Chart 7.4

Merchandise Terms of Trade and Commodity Prices



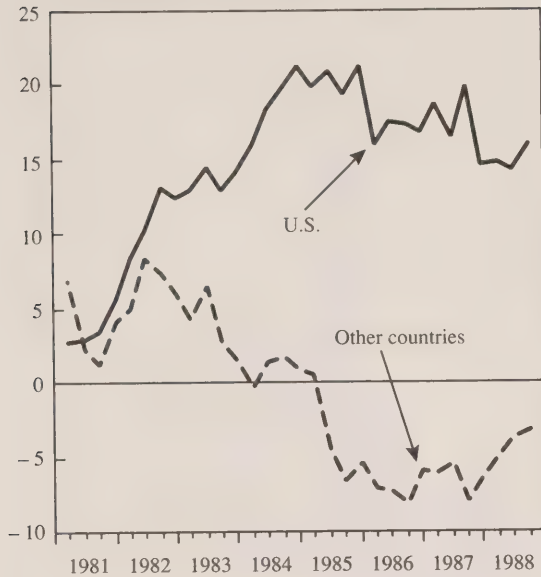
Rising wheat prices as a result of the drought led to another sharp increase in the terms of trade in the third quarter. The terms of trade have been improving since early 1986, as sharp increases in world commodity prices have bolstered Canadian export prices. The improvement in the terms of trade also reflects the appreciation of the Canadian dollar against its U.S. counterpart.

*Source: Bank of Nova Scotia.

Chart 7.5

Merchandise Trade Balance with U.S. and Other Countries

billions of dollars – annual rate

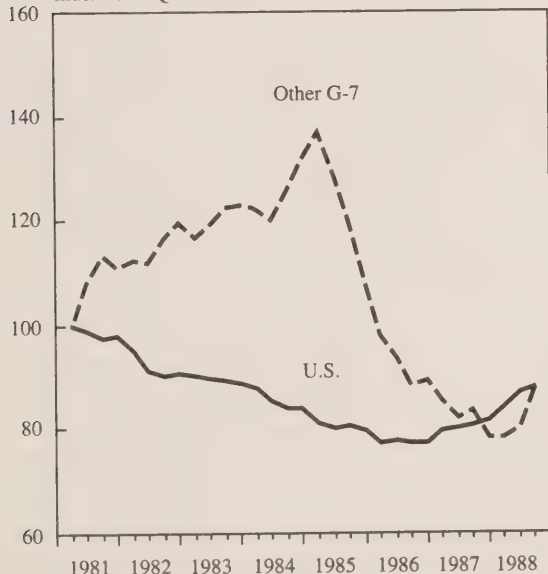


The improvement in the nominal merchandise trade balance in the third quarter was due to an increase in the trade surplus with the United States and a decrease in the trade deficit with overseas countries. Despite the improvement in the third quarter, the balance with the U.S. has been trending toward a smaller surplus since the mid-1980s. The trade deficit with overseas countries has been steadily improving since mid-1987.

Chart 7.6

Real Exchange Rate* – Canadian Dollar Against G-7 Currencies

index 1981 Q1 = 100



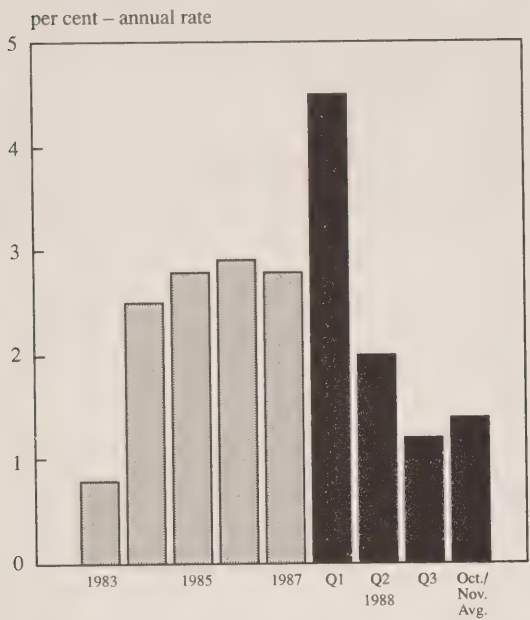
*Adjusted for relative CPI performances.

A major factor in trade trends with the U.S. and overseas countries has been changes in the real value of the Canadian dollar. The lagged impact of the depreciation of the Canadian dollar relative to a trade-weighted basket of overseas currencies since mid-1985 has helped produce the improvement in the trade balance with overseas countries. The appreciation of the Canadian dollar relative to the U.S. dollar has been a factor reducing the trade surplus with the U.S.

8. The Labour Market

Chart 8.1

Employment Growth

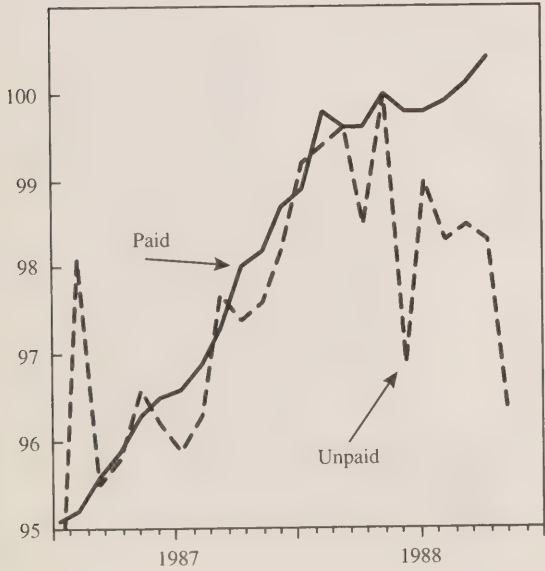


After five years of robust advances which led all major OECD nations, employment growth in Canada slowed during the second half of 1988. Although employment in the first 11 months increased 3.2% from the 1987 average, most of this growth can be traced to rapid increases in late 1987 and the first five months of 1988. Since May, employment has risen at a more moderate 1.3% annual rate.

Chart 8.2

Paid and Unpaid Employment Since January 1987

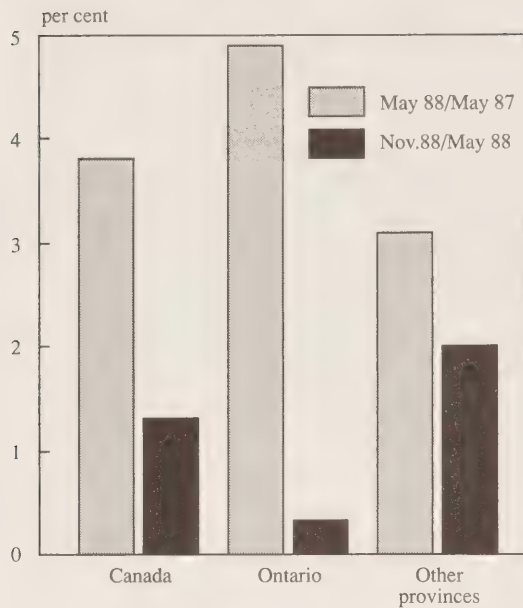
May 1988 = 100



Slower employment growth has been accompanied by a reallocation of employment since May. In that period, the number of paid employees advanced at a moderate rate although more slowly than in recent years, while there have been significant declines among the self-employed (who are classified in the labour force survey as unpaid) and unpaid family workers – largely in the farm sector.

Chart 8.3

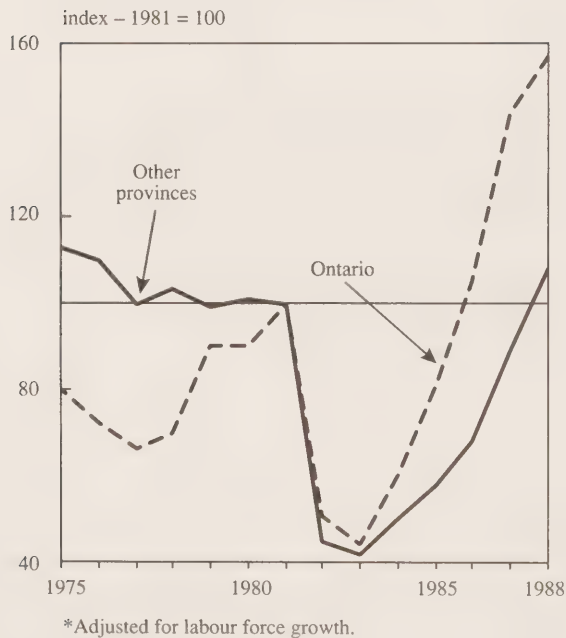
Regional Employment Growth



All regions have experienced slower employment growth during the second half of 1988. The slowdown was most apparent in Ontario, where employment rose at an annual 0.3% rate between May and November after very strong growth in the previous 12 months. In comparison, the other provinces, which had lagged behind employment growth in Ontario in the previous 12 months, have maintained annualized growth of 2.0% on average from May to November.

Chart 8.4

Help-Wanted Indexes* Ontario and Other Provinces

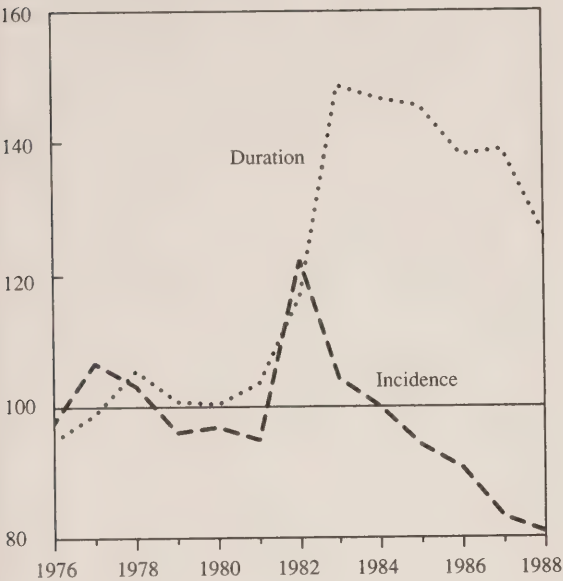


Unusually high help-wanted indexes relative to labour force growth suggest that labour markets have been tightening in Ontario and, to a lesser extent, in the rest of Canada. In the third quarter, Ontario's adjusted help-wanted index was 75% above its previous peak in 1981 and Canada's index excluding Ontario was slightly above its level in the late 1970s.

Chart 8.5

Average Duration and Incidence of Unemployment

1976 – 1980 = 100

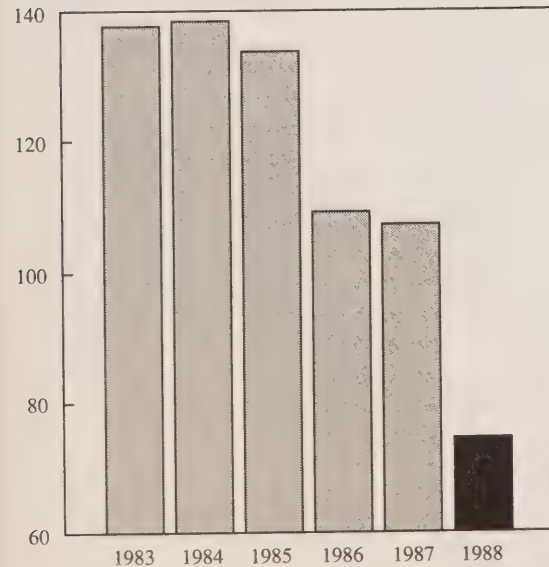


While the unemployment rate has remained fairly stable at around 7.8% in 1988, a rate not significantly above its mid-to-late 1970s average, the structure of unemployment has changed noticeably over the past decade. The incidence of unemployment, or the proportion of the labour force affected by unemployment during a year, has decreased to record lows. In contrast, the duration of unemployment remains well above average levels in the 1970s although it has declined from its 1983 peak.

Chart 8.6

Long-Term Unemployment (More than one year)

thousands – annual average

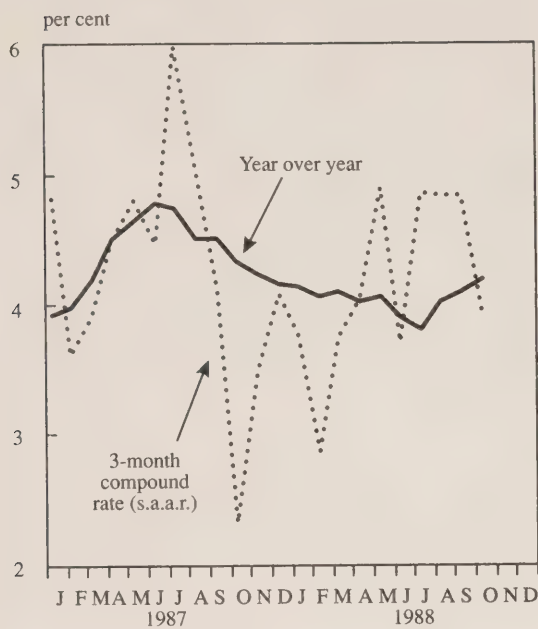


The declining average duration of unemployment during 1988 has been accompanied by a sharp decline in the number of workers who have been unemployed for more than a year. This unemployment group is often considered to be largely composed of people who are structurally unemployed due to a mismatch between their skills and location and employment opportunities.

9. Price and Wage Sector

Chart 9.1

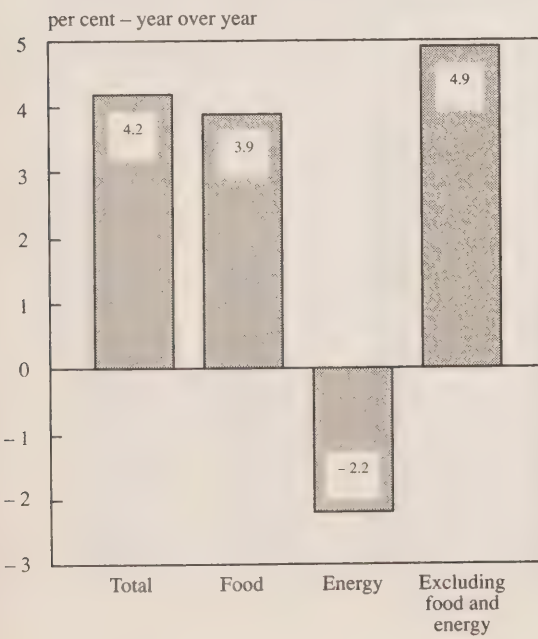
CPI Inflation



CPI inflation, measured on a year-over-year basis, remained in the 4% range in the first ten months of the year. Influences emanating from the Canadian dollar appreciation and the weakness of energy prices offset increases in indirect taxes on consumer goods. The average compound annual increase of the CPI over the last three months decreased to just under 4% in October.

Chart 9.2

Change in Major Components of the CPI – October 1988

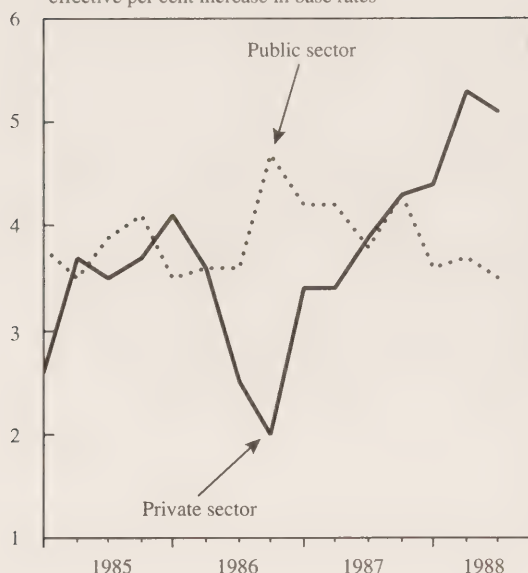


Moderate year-over-year increases in food and energy prices, resulting from the appreciation of the Canadian dollar earlier this year and lower world oil prices, have offset strong increases in other components such as housing and clothing since the beginning of the year. Excluding food and energy, the year-over-year rate of inflation was 4.9% in October, slightly above the average of 4.7% since the beginning of the year and 4.6% in 1987.

Chart 9.3

Wage Settlements

effective per cent increase in base rates



Wage settlements declined slightly to 4.1% in the third quarter from an average of 4.3% in the previous two quarters. After rising in the six previous quarters, private sector settlements decreased somewhat but remained above 5% for a second consecutive quarter. Public sector wage settlements continued to decline and the gap in settlements between the two sectors remained high at 1.6 percentage points (Chart 9.3). A major recent development is the fact that wage pressures, which were previously concentrated in Ontario, are now emerging in British Columbia (Chart 9.4). Outside these two jurisdictions, private sector wage settlements are averaging around 4%.

Chart 9.4

Private Sector Wage Settlements by Major Jurisdiction

effective per cent increase in base rates

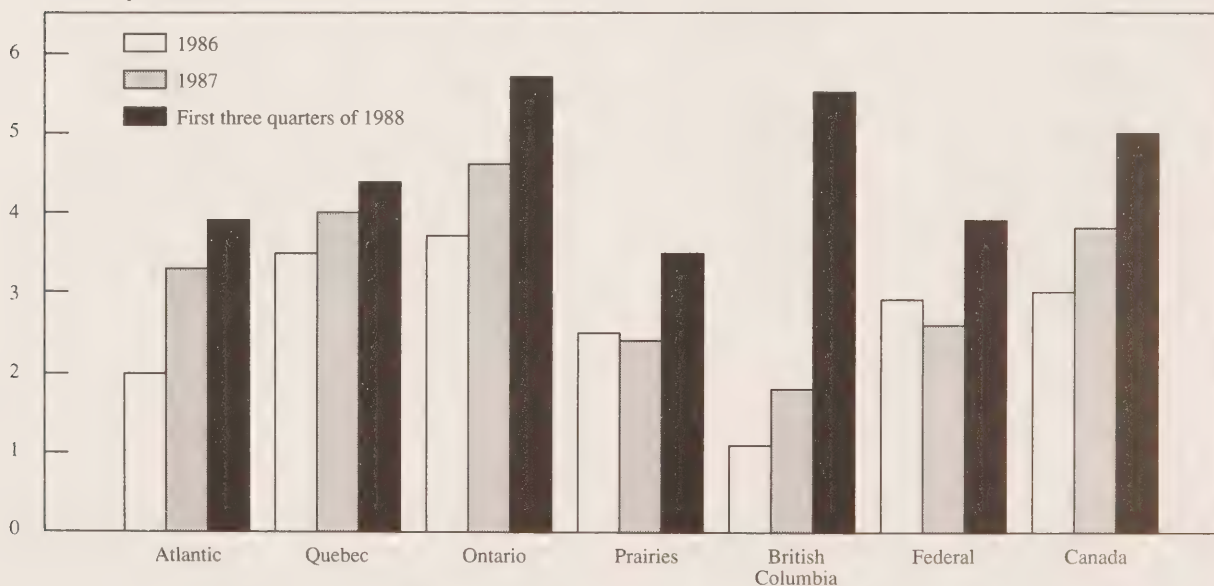
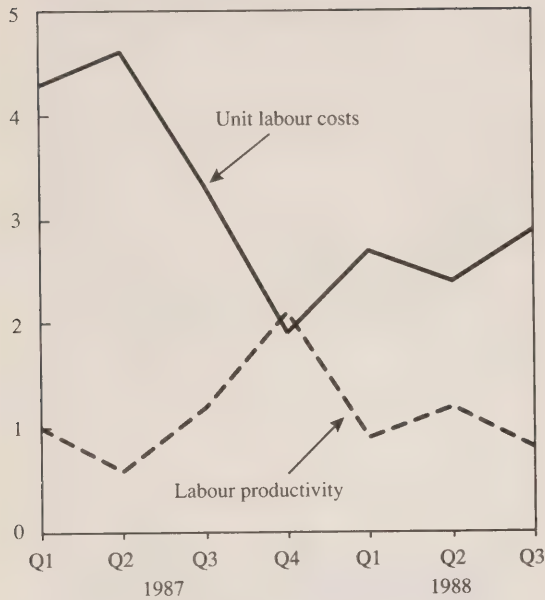


Chart 9.5

Unit Labour Cost and Productivity Growth

per cent – year over year



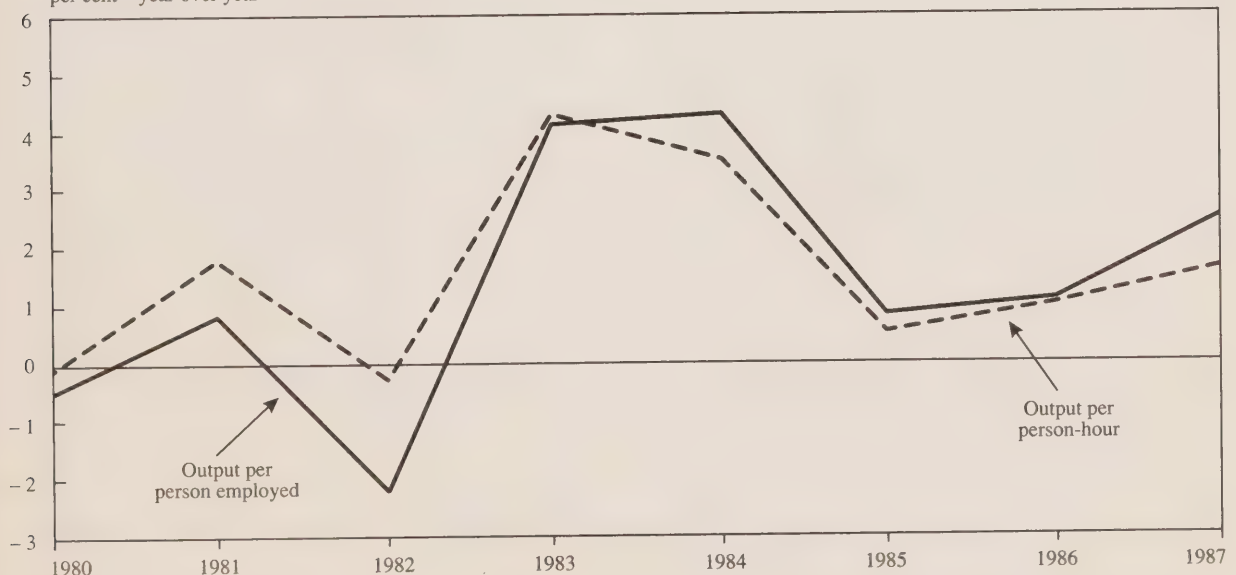
Unit labour costs continued to grow at a moderate pace in the third quarter to a level 2.9% higher than a year earlier. However, relatively high private sector wage settlements, if sustained and not accompanied by a rise in productivity growth, will put upward pressure on unit labour cost increases.

Growth in total output per employee declined slightly in the third quarter, reflecting the slowdown observed in real GDP growth. Various measures of productivity growth in the business non-agricultural industries show a trend improvement since the beginning of 1985 such that productivity performance on a per employee basis was similar in 1987 to the 1950-1972 average (2.2%) and well above the average pace during 1973-1981 (1.2%).

Chart 9.6

Labour Productivity Business Sector Non-Agricultural Industries

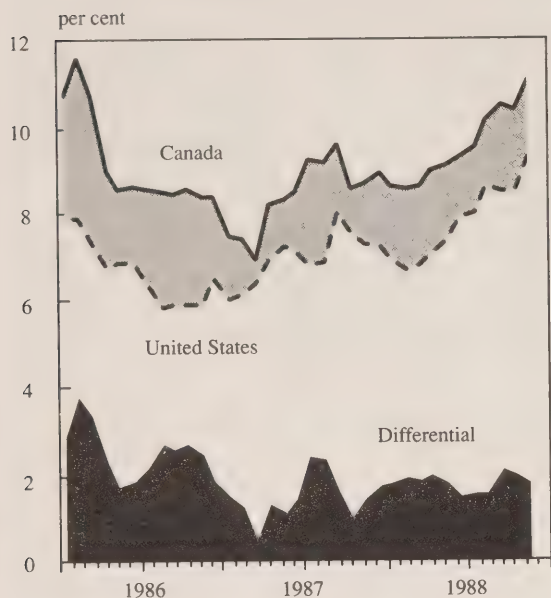
per cent – year over year



10. Financial Sector

Chart 10.1

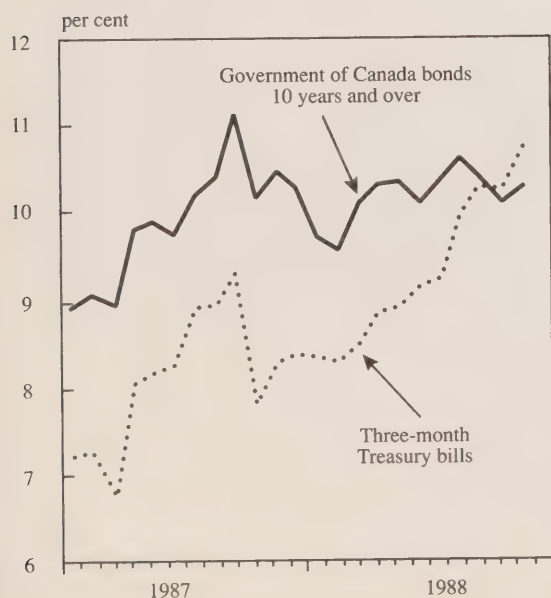
90-Day Commercial Paper Rate Differential



Short-term interest rates have increased in both Canada and the United States over the course of 1988 reflecting strong economic growth and associated inflationary pressures. Since the end of 1987, short term rates have risen 210 basis points in both Canada and in the United States.

Chart 10.2

Short- and Long-Term Interest Rates Since January 1987

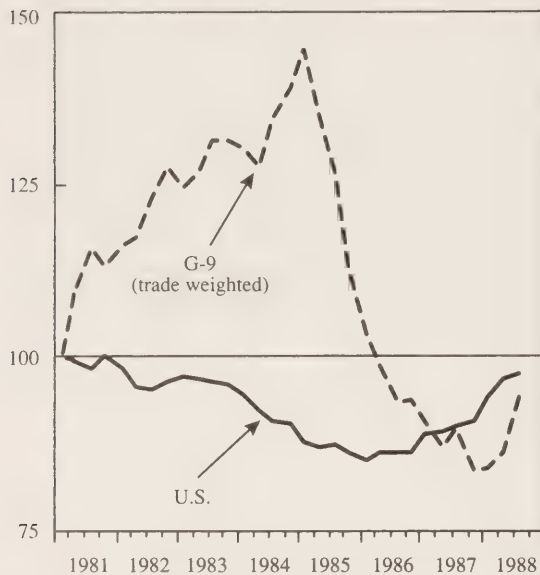


Since the beginning of the year, the rate for Government of Canada bonds, ten years and over, has remained relatively unchanged. As a result, the spread between the rate for Government of Canada bonds, ten years and over, and the three-month Treasury bill rate, which was around 150 basis points in 1987, is now negative.

Chart 10.3

Canadian Dollar Exchange Rate Against U.S. and G-9 Currencies

index 1981:Q1 = 100



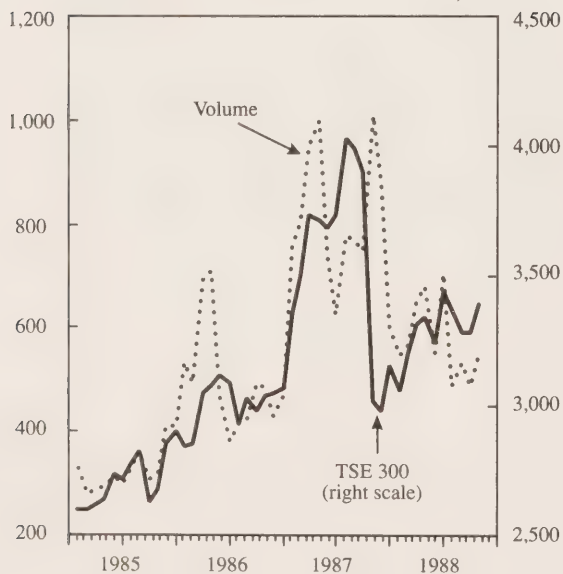
The Canadian dollar rose substantially in the first half of the year, reaching more than U.S. \$0.83 in mid-year. After July, the dollar traded in the U.S. \$0.81-\$0.83 range, before moving up again to U.S. \$0.84 in late November. The dollar has fully recovered the losses that occurred in the late-1983 to 1985 period. On a trade-weighted basis since the beginning of the year, the Canadian dollar has appreciated close to 10% against G-9 currencies (excluding the U.S. dollar). The dollar appreciated around 15% against the French franc and the German mark, over 8% against the British pound, and 3% against the Japanese yen.

Chart 10.4

TSE 300 Index and Volume of Transactions

millions of shares

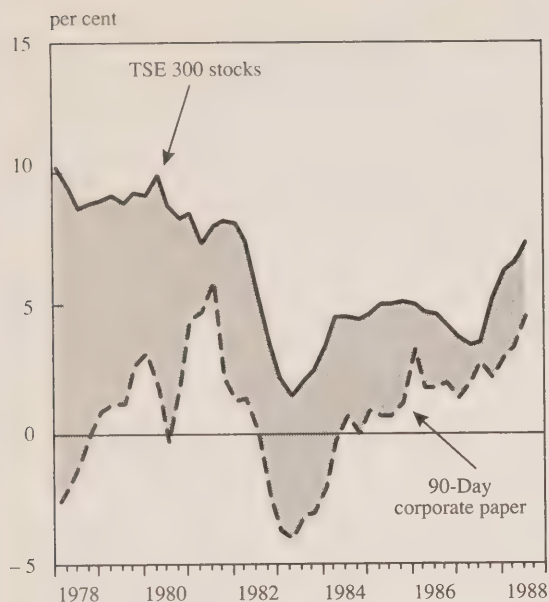
1975 = 1,000



Since the October 1987 downturn, stock market activity has come back to the levels experienced in late-1985 and 1986. The volume of transactions on the Montreal and Toronto Stock Exchanges was around 550 million shares in October 1988, about half the amount traded in October 1987 but in the same range as the volume traded in 1986. The TSE index is currently at levels similar to those in early 1987.

Chart 10.5

Canadian Real After-Tax Yields*



*Department of Finance estimates.

In the 1982-1985 period, real after-tax yields on bonds were very low, and actually negative for a period of time, making bonds relatively unattractive to investors compared to stocks. The subsequent improvement in bond yields and a modest deterioration in equity yields contributed to the sharp correction in stock prices in October 1987. The real yield differential has now returned to more "historically normal" levels.

CAI
FN
- E/6

Quarterly Economic Review

March 1989

Quarterly Economic Review

March 1989



Department of Finance
Canada

Ministère des Finances
Canada

Cette publication est également offerte en français.

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, the Organization for Economic Co-operation and Development (OECD) and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is March 10, 1989.

Comments or questions should be directed to Richard Egelton (613-992-9324), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Contents

1. The Economy in Brief	1
Real GDP growth slowed to an annual rate of 2.3% in the fourth quarter of 1988. For the year as a whole, real GDP expanded 4.5%.	
2. Personal Sector	5
Consumer spending growth picked up to 6.3% in the fourth quarter, supported by strong gains in personal disposable income.	
3. Housing Sector	9
Residential investment rose by 10.1% in the last quarter of the year, reflecting continued strength in the construction of new housing and substantial growth in expenditures on alterations and improvements as well as real estate commissions.	
4. Business Non-Residential Investment	13
Business investment growth remained strong in the fourth quarter although it slowed somewhat from the unsustainably strong rate of expansion recorded earlier in the year. In 1989, Statistics Canada's <i>Private and Public Investment Intentions Survey</i> indicates that nominal investment spending will rise 10.5%. This suggests that business investment will continue to lead economic growth.	
5. Business Inventories	17
Business inventory investment decreased slightly overall in 1988 as an increase in non-farm inventory investment was more than offset by a \$2.6 billion drop in farm inventory investment because of the drought.	
6. Government Sector	19
The federal government deficit on a Canadian Income and Expenditure Accounts basis improved to \$20.4 billion in 1988 from \$23.4 billion in 1987. The provincial-local-hospital sector was virtually in balance in 1988, compared with a \$4.1 billion deficit in the previous year.	
7. Foreign Trade	21
The real merchandise trade surplus deteriorated sharply in the fourth quarter as imports soared in response to continued strong growth of domestic demand. Despite a moderate rise in the terms of trade, the current account deficit widened to \$11.3 billion in 1988 from \$10.6 billion in 1987.	
8. The Labour Market	25
Employment surged by 141,000 over the November 1988 to February 1989 period. However, the labour force also rose sharply and the unemployment rate remained fairly stable at around 7.6%.	
9. Price and Wage Sector	29
Inflationary pressures continued to build in 1988 and, by January of this year, the CPI rate of inflation rose to 4.3%. Excluding food and energy, the inflation rate was 5.4% in January compared to 4.3% in January of last year.	

10. Financial Sector	33
-----------------------------------	-----------

Short-term interest rates continued to rise in early 1989 while long-term rates remained more stable. The Canadian dollar moved above U.S. \$0.845 in January and is currently trading at around U.S. \$0.835.

Special Report

11. The Macroeconomic Implications of the 1988 Drought	39
---------------------------------------------------------------------	-----------

This special report analyzes the macroeconomic implications of last year's drought for overall economic performance in 1988 and 1989. The drought is estimated to have lowered Canada's real GDP growth rate by about 0.4 percentage points in 1988.

A return to more normal crop yields in 1989 would boost the growth rate this year by a comparable amount.

1. The Economy in Brief

Highlights of the Fourth Quarter

- While real GDP growth slowed to an annual rate of 2.3% in the fourth quarter, final domestic demand continued to advance at a rapid pace, increasing 5.6% in the quarter. For 1988 as a whole, real GDP grew 4.5%, placing Canada second in terms of growth among the G-7 countries.
- The merchandise trade surplus decreased sharply in the fourth quarter as imports soared while exports decreased further. As a result of a marked deterioration in the quarter, the current account deficit increased to \$11.3 billion in 1988 from \$10.6 billion in 1987.
- Inflationary pressures continued to mount through the end of 1988 and early 1989. The implicit deflator for final domestic demand rose in the fourth quarter at an annual rate of 4.6% after increases of below 3% in the previous two quarters. Also of concern is a sharp upturn in unit labour cost growth during the fourth quarter. The year-over-year rate of CPI inflation was 4.3% in January and, excluding food and energy, inflation reached 5.4%.
- The labour market was buoyant in the November to February period with 141,000 jobs created. The sharp rise in employment was matched by a proportionate increase in the labour force; as a result, the unemployment rate remained relatively stable at around 7.6%.

Summary

Real gross domestic product (GDP) at market prices posted a 2.3% gain at an annual rate in the fourth quarter of 1988, down from the 3.8% average annual rate of growth recorded during the first three quarters of the year (Chart 1.1). However, the slowdown in total output growth concealed the continued underlying strength in final domestic demand, which advanced at an annual rate of 5.6% in the fourth quarter. Since the end of 1986, growth in final domestic demand has averaged 6.2% per quarter. All private sector categories of domestic demand showed strong increases in the fourth quarter. Consumption and residential investment growth picked up significantly while business non-residential investment continued to advance at a very strong pace.

Real output growth in the fourth quarter was constrained by a marked decline in the real trade balance as imports soared and exports fell for a second consecutive quarter.

Chart 1.1

Change in Real GDP and Final Domestic Demand

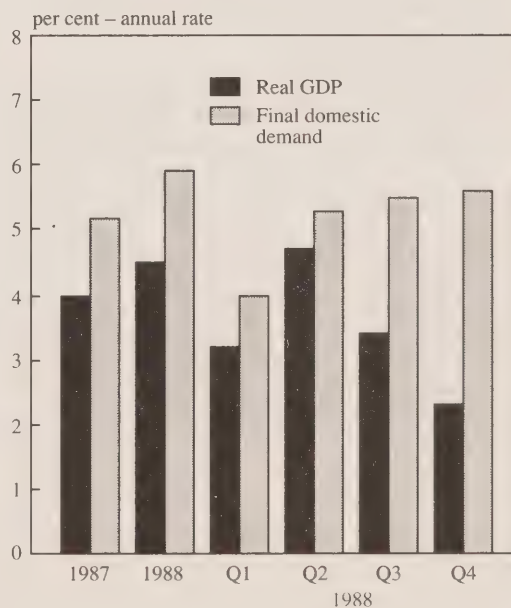


Chart 1.2

Nominal Business Non-Residential Investment PPI Intentions, 1989

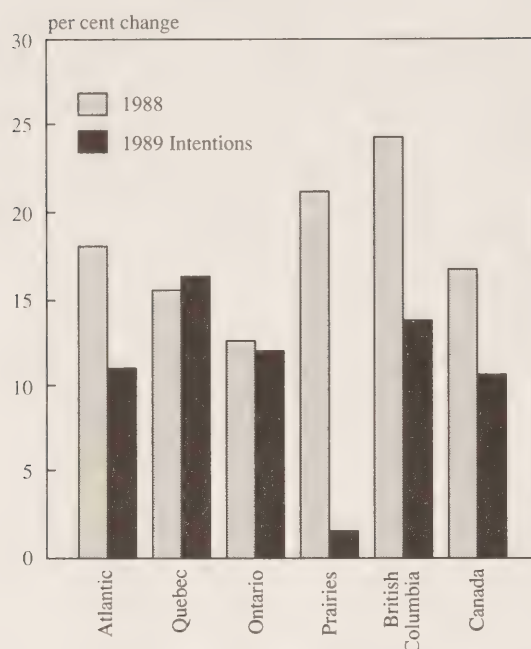
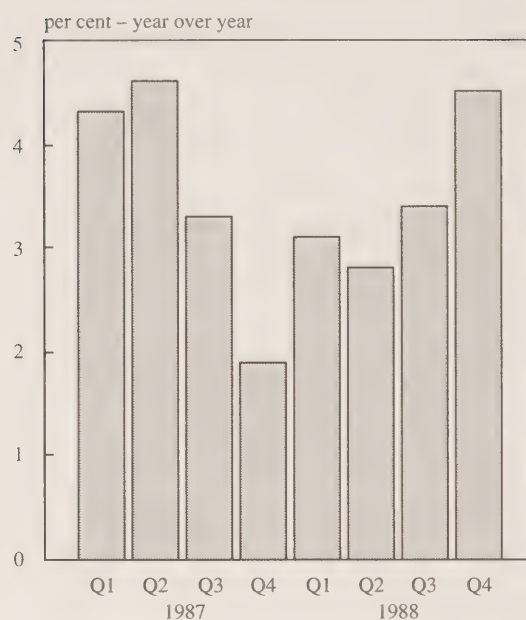


Chart 1.3

Change in Unit Labour Costs



Main Economic Indicators

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1987	1988	1988			
			Q1	Q2	Q3	Q4
Real gross domestic product	4.0	4.5	3.2	4.7	3.4	2.3
Final domestic demand	5.2	5.9	4.0	5.3	5.5	5.6
Consumption	4.7	4.3	0.9	3.8	5.1	6.3
Residential construction	15.7	4.8	3.7	0.7	5.0	10.1
Business fixed investment	8.8	17.8	14.4	16.7	11.3	7.7
Non-residential construction	1.0	11.9	5.5	4.9	8.9	3.1
Machinery and equipment	14.6	21.6	20.4	24.5	12.8	10.5
Business inventory investment (\$b,a.r.)	1.6	-0.1	-0.4	-0.4	-0.8	1.0
Non-farm	1.8	2.5	3.9	3.9	0.6	1.4
Trade balance (\$b,a.r.)	11.5	6.7	9.7	8.6	7.5	1.1
Current account balance (\$b,current,a.r.)	-10.6	-11.3	-8.1	-11.2	-8.6	-17.1
Incomes						
Real personal disposable income	3.1	3.3	-0.3	4.6	8.1	6.2
Profits before taxes	24.1	12.7	5.2	13.2	12.2	-4.4
Costs and prices (%Y/Y)						
GDP price deflator	4.3	4.2	4.3	3.7	4.2	4.6
Consumer price index	4.4	4.1	4.1	4.0	4.0	4.1
CPI - energy component	2.6	0.6	4.5	1.9	-0.7	-3.1
CPI - excluding food and energy	4.6	4.8	4.6	4.8	4.6	5.0
Unit labour costs	3.5	3.4	3.1	2.8	3.4	4.5
Labour market						
Unemployment rate	8.8	7.8	7.8	7.7	7.8	7.7
Employment	2.9	3.2	4.1	1.8	1.2	1.9
Financial developments						
Exchange rate (end of period) (U.S.cents)	76.96	83.86	80.98	82.41	82.18	83.86
Prime interest rate (end of period)	9.75	12.25	9.75	10.75	11.75	12.25

Sources: Statistics Canada and the Bank of Canada.

Strong Gain in Consumption

Consumer spending increased at an annual rate of 6.3% in the fourth quarter, led by very strong gains in services and non-durable goods purchases. Consumption was supported by a 6.2% increase in real personal disposable income in the fourth quarter, which was bolstered by a sharp 21.3% rise in interest, dividend and investment income and a decline in personal income tax deductions at source associated with Stage One of Tax Reform. The personal savings rate remained largely unchanged at 8.8%, a level roughly consistent with contractual obligations (such as insurance premiums, pension fund contributions and mortgage repayments).

Pickup in Residential Investment

Residential construction investment grew at an annual rate of 10.1% in the fourth quarter, the largest increase since the third quarter of 1987. The strength in residential investment was the result of a 7.1% advance in new construction expenditure, reflecting the strength in housing starts during the last few quarters, continued strong growth in alterations and improvements, and a rebound in real estate commissions after a significant decline in the third quarter. Housing starts averaged above 230,000 units at an annual rate in the fourth quarter and the first two months of 1989, with growth strongest in Ontario and British Columbia.

Business Investment Growth Slowed

After six quarters of growth at an unsustainably strong pace of 19.0% at an annual rate, business non-residential investment growth slowed to 7.7% in the fourth quarter. Business investment in machinery and equipment remained buoyant, advancing 10.5% after increases of 12.8% in the previous quarter and 22.4% in the first half of the year. Non-residential construction growth slowed noticeably to 3.1%, due primarily to declines in oil and gas exploration and development, in response to reductions in federal and provincial government incentive programs.

For this year, Statistics Canada's *Private and Public Investment Intentions Survey* indicates a

somewhat slower, but still healthy increase in investment spending. Investment increases are expected to be particularly buoyant in the manufacturing and utilities sectors. Regionally, investment spending intentions are particularly strong in Central Canada, British Columbia and parts of Atlantic Canada (Chart 1.2).

Trade Surplus Falls Sharply

Continued strong growth in domestic demand, particularly in the import-sensitive categories of machinery and equipment investment and consumer durables spending, led to a pronounced deterioration in the real trade balance in the fourth quarter. As a result, the merchandise trade balance fell sharply in the quarter, despite a modest improvement in the terms of trade. The impact of the fall in the merchandise trade balance on the current account in the fourth quarter was compounded by a \$3.2 billion deterioration in net investment income payments to non-residents, due primarily to one-time large dividend payouts made by a few Canadian companies to foreign shareholders. The current account deficit increased to \$17.1 billion at an annual rate in the quarter and, for 1988 as a whole, the current account deficit widened to \$11.3 billion from an average of \$10.5 billion in the previous two years.

Unemployment Rate Remains Stable

The labour market has been buoyant since late 1988 with 141,000 jobs created over the November–February period. However, growth in the labour force moved in tandem with employment gains over that period, and the unemployment rate remained relatively stable at around 7.6%. Unemployment rates decreased in all provinces except drought-affected Manitoba and Saskatchewan in 1988. Nationally, the unemployment rate has returned to roughly the level that prevailed on average during the five years prior to the recession.

Inflation Pressure Building

The consumer price index increased 4.3% on a year-over-year basis in January, following increases of around 4.1% in the previous five

months. Excluding food and energy, the CPI was up 5.4% in January compared to 5.0% in the fourth quarter and 4.3% in January of 1988. Similarly, most other measures of price inflation have shown significant increases recently. The implicit deflator for GDP rose at an annual rate of 6.3% in the fourth quarter, up significantly from rates of increase of slightly over 4% over the previous four quarters. The deflator for final domestic demand, which excludes terms of trade effects, was up 4.6% in the fourth quarter following increases of less than 3% over the previous four quarters. The marked run-up in most measures of price inflation in the fourth quarter was paralleled by a substantial increase in unit labour costs (Chart 1.3). A slowdown in productivity growth and continued strong increases in the average wage rate raised unit labour costs sharply in the last quarter of 1988 compared to a year earlier.

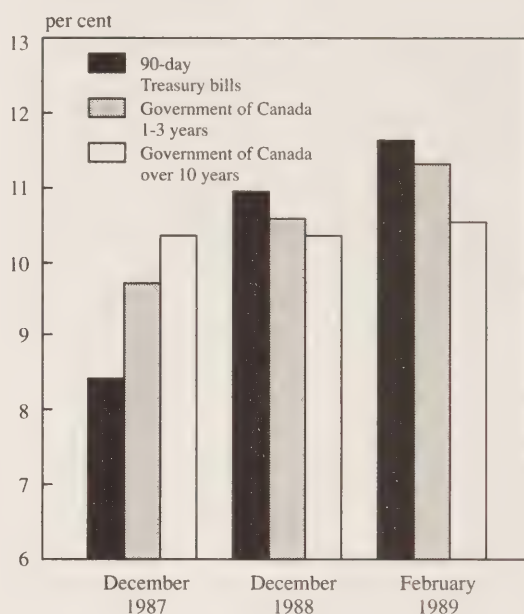
Interest Rates Rise Further

Short-term interest rates moved up by over 200 basis points during 1988 in response to strong domestic demand growth and rising inflationary pressures. This upward trend has continued in early 1989. Long-term rates, however, have remained fairly stable with the result that short-term rates are currently over 130 basis points

higher than long-term yields (Chart 1.4). Interest rates in the United States and several other leading industrial countries have moved in a similar fashion, also in response to strong growth and mounting inflationary pressure. Since late 1988, the Canadian dollar has traded in the U.S. \$0.83 to \$0.845 range.

Chart 1.4

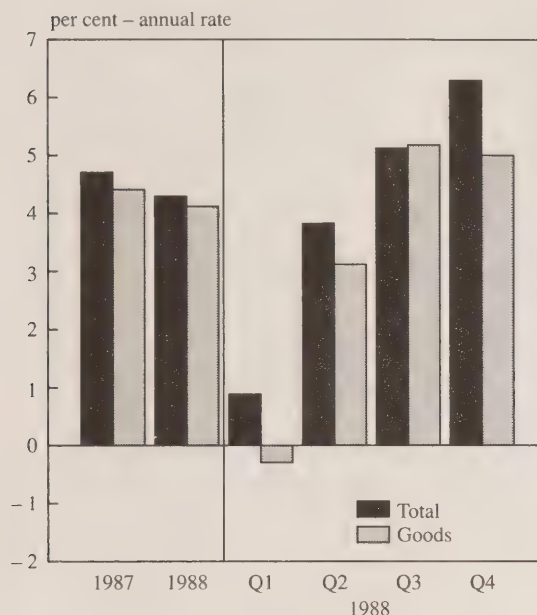
Short and Long-term Interest Rates (end of period)



2. Personal Sector

Chart 2.1

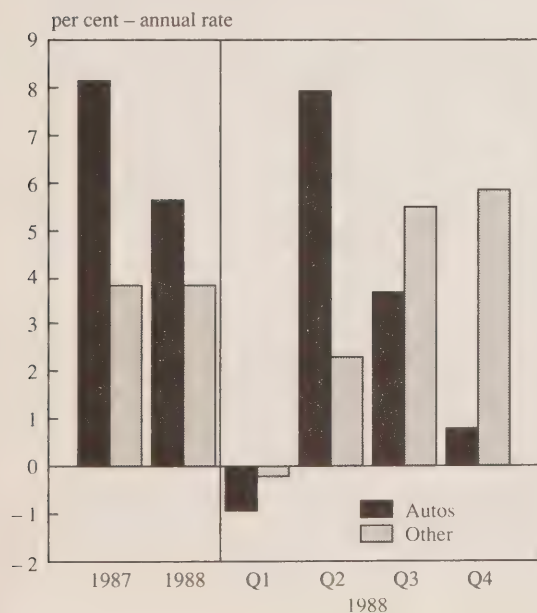
Change in Real Consumer Spending



Real consumer spending continued to increase at a strong pace in the last quarter of 1988, led by strong gains in services and sustained growth in goods expenditure. Growth of consumer spending has shown a marked increase since the first quarter of last year, when disposable income growth slowed and consumer confidence had not yet recovered from the stock market decline in late 1987. For 1988 as a whole, total consumer spending growth moderated to 4.3% from 4.7% in 1987, entirely due to the weakness in the first quarter.

Chart 2.2

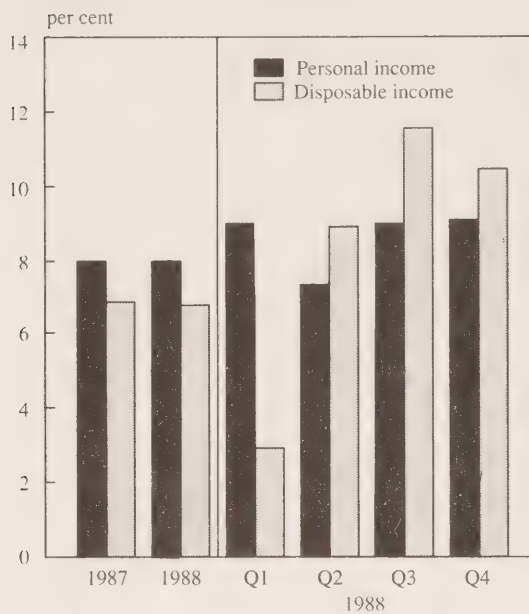
Change in Real Consumer Spending on Autos and Other Goods



Consumer goods spending was led by growth in auto expenditures earlier in the year, but has subsequently shifted toward the consumption of other goods. In particular, spending on items such as recreational equipment, clothing and footwear strengthened noticeably during the year in line with the strong growth in real disposable income. On the other hand, the growth of spending on automobiles weakened toward the end of 1988, after the large increase in the second quarter. This year-end weakening in growth reflects, in part, higher financing costs due to recent increases in short-term interest rates.

Chart 2.3

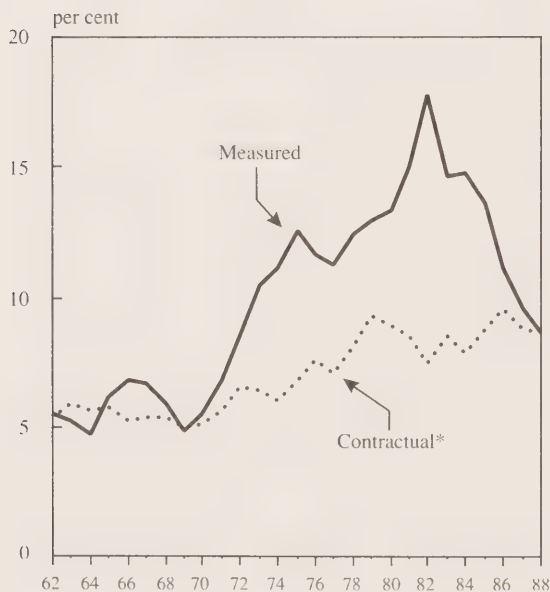
Change in Personal Income and Personal Disposable Income



A key factor underlying the continued strength in consumer spending during the past three quarters has been the strong growth in personal disposable income. A 3.2% increase in employment in 1988 (the strongest gain in nine years), combined with a pickup in personal investment income, have been major factors sustaining personal income growth. Furthermore, the lower personal income tax deductions at source effective July 1, 1988 from Stage One of Tax Reform gave a further boost to disposable income growth.

Chart 2.4

Measured and Contractual Personal Saving Rates

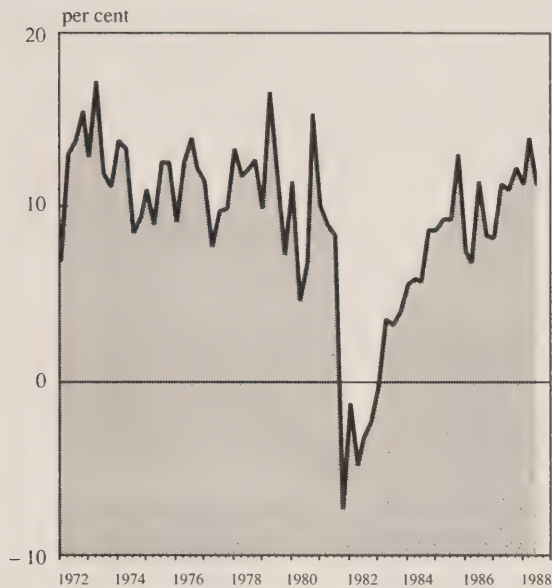


*Department of Finance estimates.

The personal savings rate continued to decline in 1988, to an average of 8.6%, its lowest level since the early 1970s. For the first time in nearly 20 years, the savings rate is at about the same level as the contractual savings rate (the rate of savings required to meet contractual obligations of insurance premiums, pension fund contributions and mortgage repayments). The relatively low savings rate in 1988 was a reflection of a continued high level of consumer confidence and high levels of wealth built-up earlier in the 1980s, particularly when interest rates were much higher.

Chart 2.5

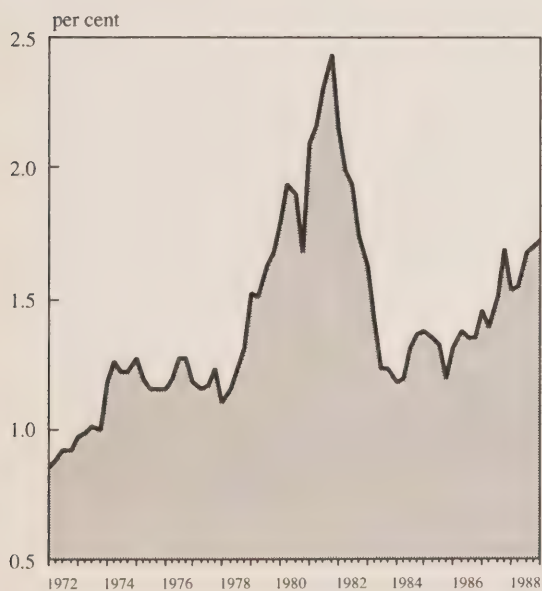
**Consumer Credit as a Proportion
of Consumer Spending on Durable
and Semi-Durable Goods**



Throughout the recovery from the 1981-1982 recession, consumers have been willing to finance an increasing share of their expenditures on durable and semi-durable goods through consumer credit. Nevertheless, the proportion of expenditure on these goods financed through credit has only returned to its pre-recession level.

Chart 2.6

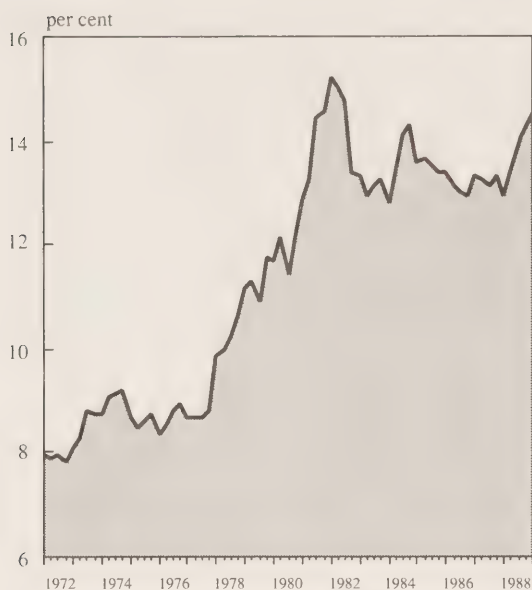
**Interest Payments on Consumer
Credit as a Proportion
of Disposable Income**



The increase in consumer credit in recent years has resulted in a high ratio of interest payments to disposable income. However, this ratio remains well below the levels in the early 1980s because nominal interest rates are significantly below the earlier peaks.

Chart 2.7

**Personal Sector Interest Income
as a Share of Personal Income**



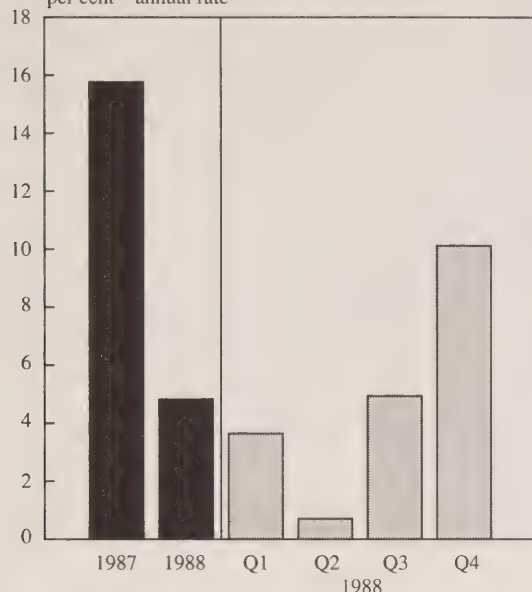
Income from interest-bearing assets has risen noticeably over the last two years. Interest, dividends and miscellaneous investment income in the fourth quarter of 1988 was 32% higher than at the end of 1986. As a result, the share of interest income in personal income has moved up sharply, to levels comparable to those of the early 1980s.

3. Housing Sector

Chart 3.1

Change in Real Residential Investment

per cent – annual rate



Residential investment rose sharply in the last two quarters of 1988. The rebound from the much slower pace of growth in early 1988 was due in part to the continued high level of housing starts. Expenditures for renovations and improvements and real estate commissions increased strongly on average during 1988.

Chart 3.2

Change in Real Residential Investment by Category

per cent – annual rate

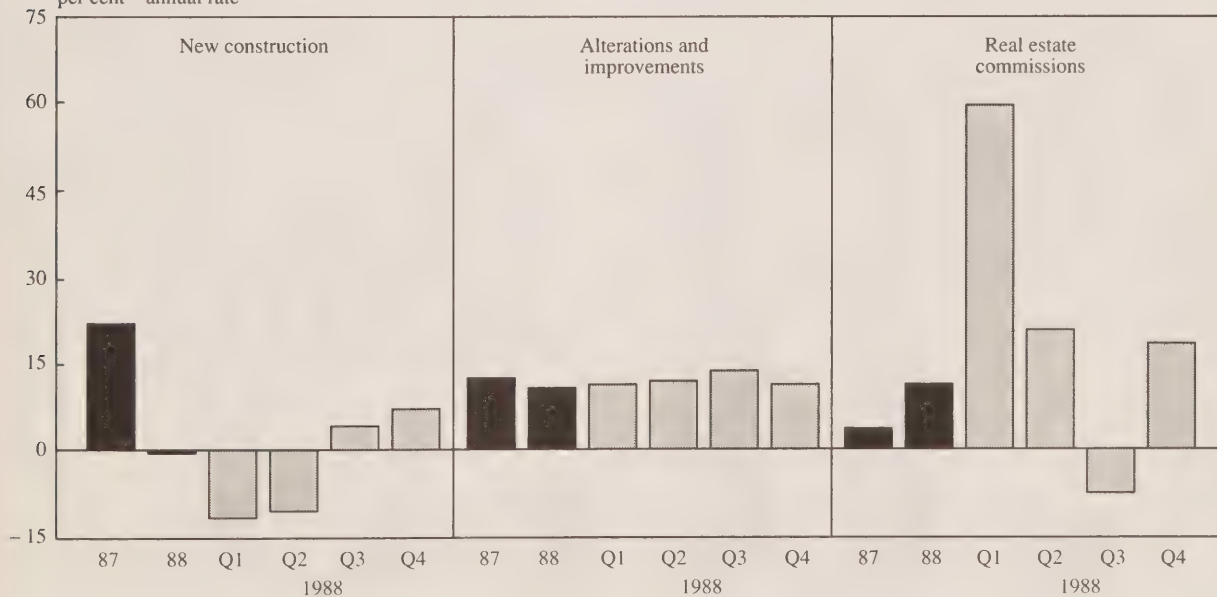
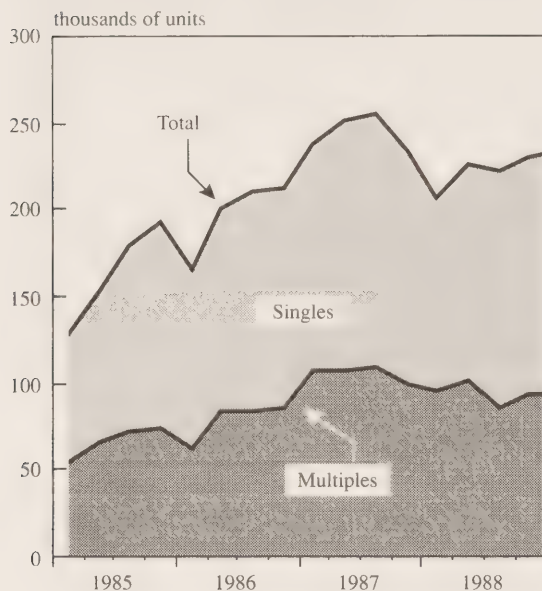


Chart 3.3

Housing Starts in Canada



Following a sharp reduction in the first quarter of 1988, housing starts have rebounded to high levels, averaging above 230,000 units in late 1988 and early 1989. The strength has been entirely in starts of single-detached dwellings, reflecting continued strong demand in the “move-up” segment of the market. Starts of multiple units have weakened noticeably since their peak in the third quarter of 1987, in part due to higher vacancy rates in Quebec, the Atlantic and Prairie provinces.

Housing starts totalled 222,562 units in 1988, the second highest level since 1978. Although about 10% lower than in 1987, housing starts remained notably above the average between 1983 and 1986. This reflects a sharp rise in starts in Ontario, British Columbia and, to a lesser extent, Quebec. The steady growth in the economy, and low vacancy rates in Ontario and British Columbia, combined to keep housing starts high.

Chart 3.4

Total Housing Starts by Region

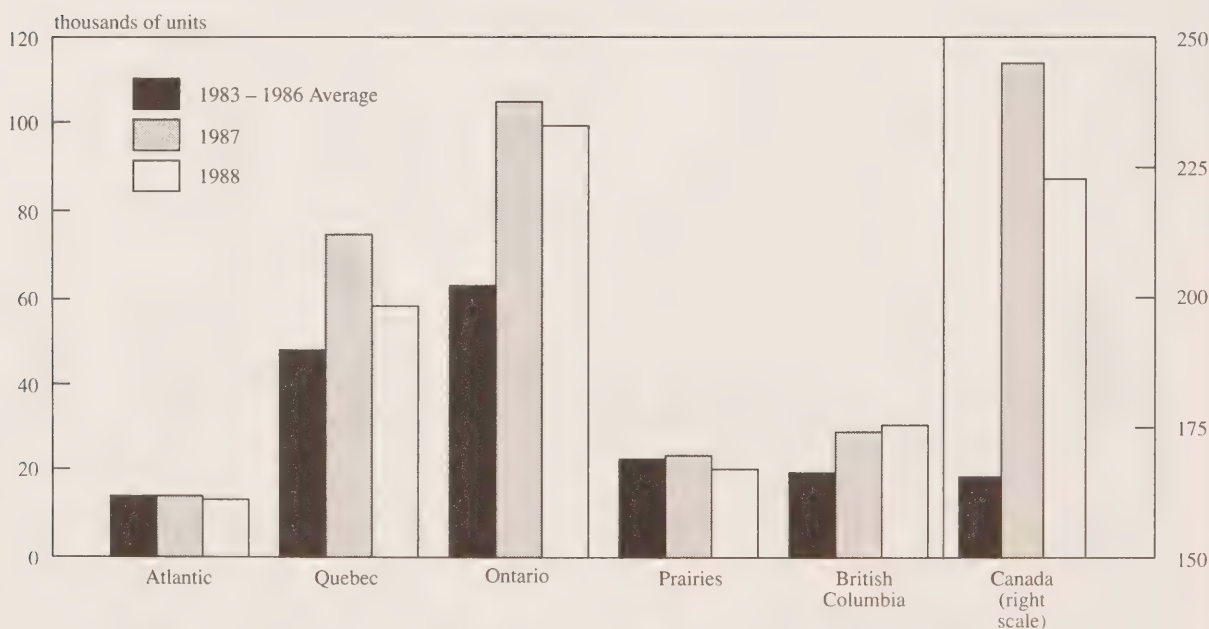
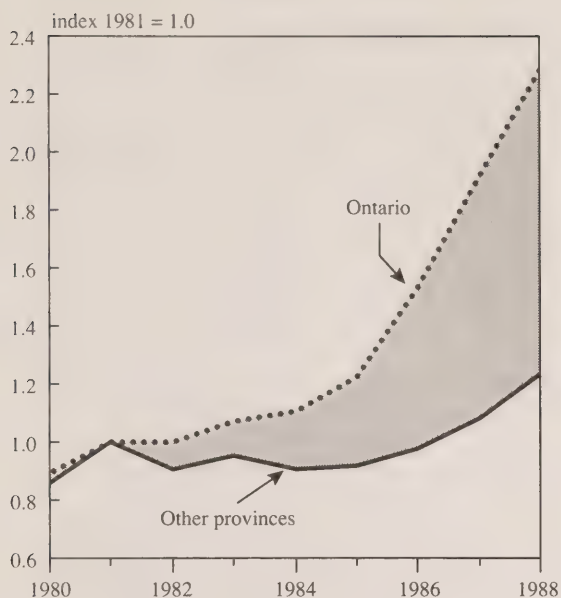


Chart 3.5

Average Residential Unit Price by Region

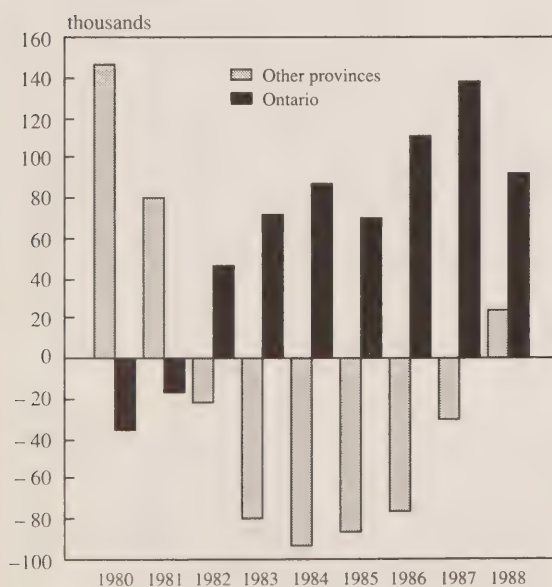


Source: Multiple Listing Service.

Despite the high levels of housing starts in recent years, the demand for new housing has generally outpaced the supply, particularly in Ontario, leading to substantial increases in housing prices. Canadian resale market prices were almost 63% higher in 1988 than in 1985. This large increase in prices is due primarily to a very sharp rise in housing prices in Ontario. Prices in that province have nearly doubled in the past three years, compared to an increase of 35% in other provinces.

Chart 3.6

Total Net Migration by Region

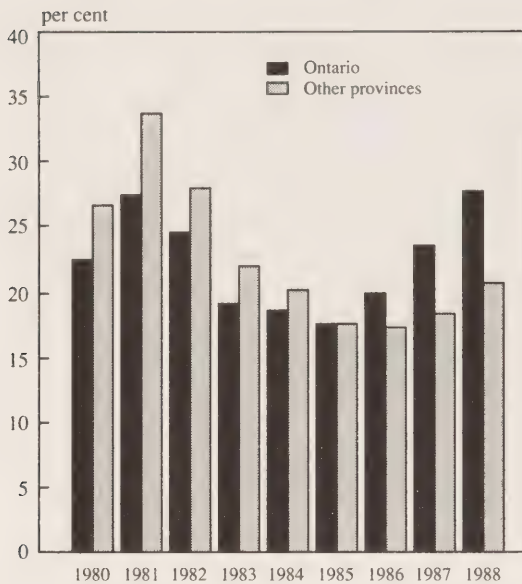


Note: 1988 is average of first three quarters.

One of the factors behind the buoyant Ontario housing market has been the effect on housing demand from the large net migration into the province since the early 1980s, both from other provinces and internationally. Since 1983, net migration into Ontario has averaged about 94,800 per year, compared to an average net outflow of 26,300 in the 1980 to 1981 period.

Chart 3.7

Mortgage Payments on a Newly Purchased Home as a Share of Disposable Income by Region*

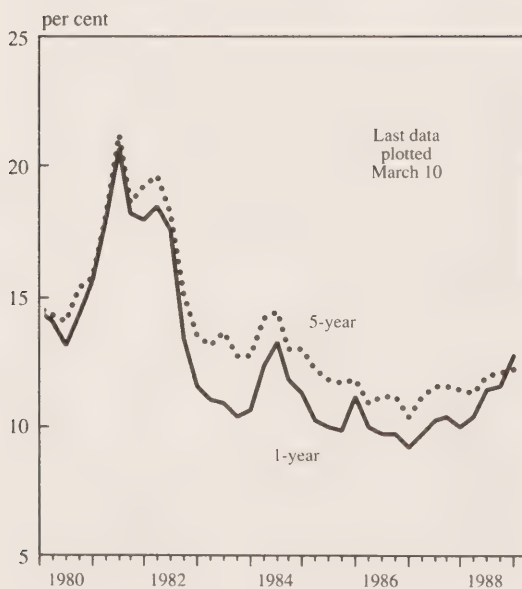


*Department of Finance estimates.

The rapid growth in housing prices in Ontario in recent years has resulted in a sharp increase in the mortgage payment burden. In that province, the value of mortgage payments relative to personal disposable income has increased sharply since 1985 and is now at its highest level since 1975. In the rest of the country, the ratio of mortgage payments to personal disposable income has risen but at a much lower pace. Outside of Ontario, the ratio of mortgage payments to disposable income remains significantly lower than in the early 1980s, reflecting mainly less rapid growth in housing prices.

Chart 3.8

Mortgage Interest Rates

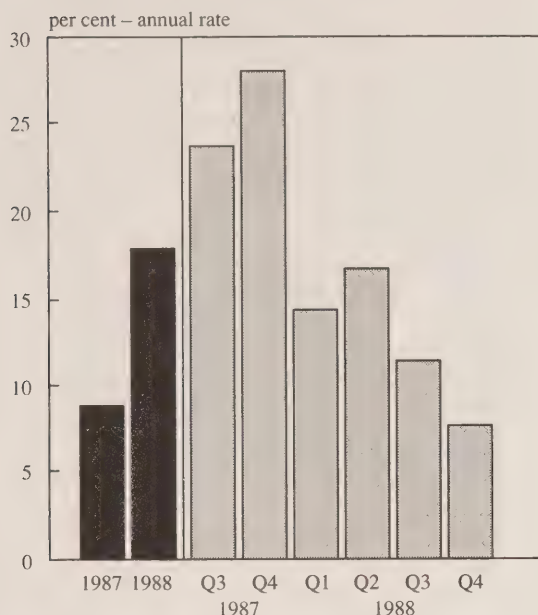


Mortgage interest rates have risen sharply in recent months, but remain below levels during 1980 to 1984. Short-term mortgage rates have risen more quickly than longer term rates. As of early March, the one-year mortgage rate was 12.75% while the five-year rate was 12.25%.

4. Business Non-Residential Investment

Chart 4.1

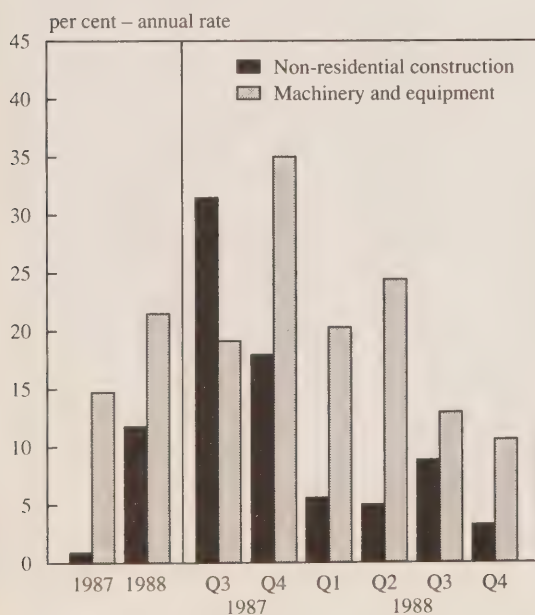
Change in Total Real Business Fixed Investment



Growth in real non-residential business investment slowed to a more sustainable pace during 1988, but still accounted for approximately half of the growth in real GDP during the year. In spite of high and rising real short-term interest rates during the year, several factors helped to sustain the surge in investment: emerging capacity constraints in many product markets; declines in the price of machinery and equipment; relatively stable long-term interest rates; strong corporate financial positions; and preparations to capitalize on the opportunities afforded by a number of structural initiatives (notably the Canada-U.S. Free Trade Agreement and deregulation of some important markets).

Chart 4.2

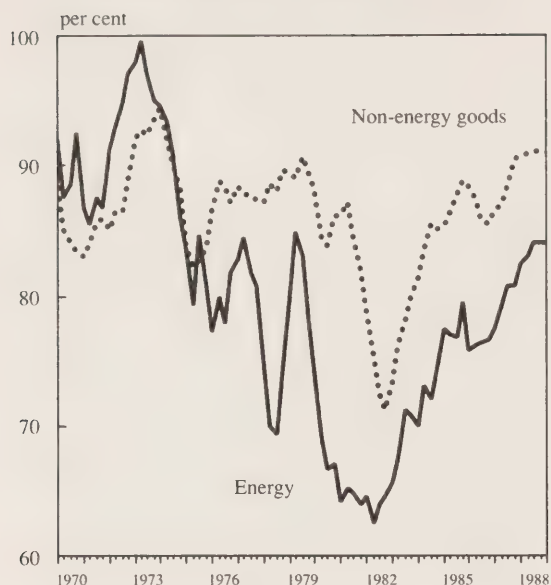
Change in Real Business Fixed Investment, by Type



Machinery and equipment expenditures led growth in business investment during 1988, with much of the gain concentrated in air transportation, resource-oriented manufacturing, transportation equipment, commercial services and telephone communication services. The pace of non-residential construction activity was more moderate, posting increases of less than 10% each quarter. An acceleration in oil and gas drilling activity during the middle half of the year and a sharp jump in investment for electric power projects accounted for a notable share of total construction spending.

Chart 4.3

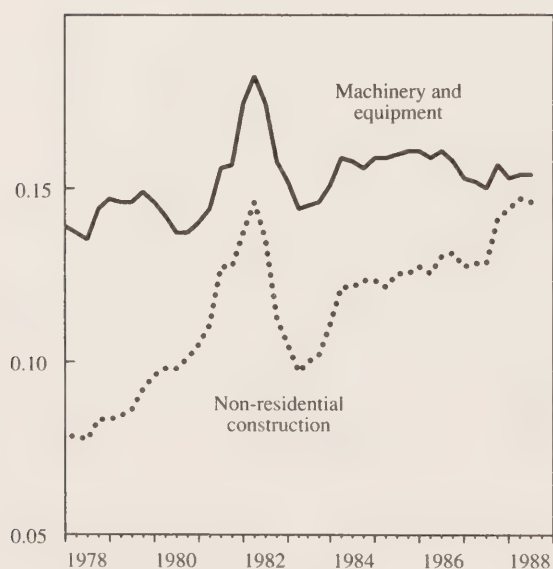
Capacity Utilization Rates



In spite of the very robust rate of investment in 1988, capacity utilization rates continued to rise throughout most of the year before easing slightly in the fourth quarter. Current rates of utilization in non-energy goods industries are 2.7 percentage points above long-run historical average levels, especially among resource-based and investment-oriented manufacturing industries. In the energy sector, capacity utilization has risen sharply in the past several years.

Chart 4.4

Investment User Cost of Capital*

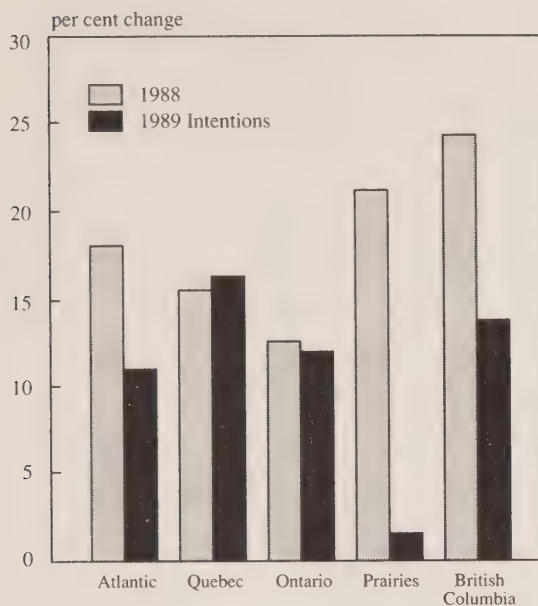


*Department of Finance estimates.

A key factor underlying the strength of investment in 1988 – particularly for machinery and equipment – was the moderation in the user cost of capital (a measure of the “price of investment”, based on interest rates, tax and depreciation rates, and prices of materials) in spite of a steady rise in real interest rates during the year. Two factors underlay this situation. First, while short-term interest rates steadily increased throughout 1988, long-term rates remained relatively stable, minimizing the extent to which effective interest rates rose during 1988. Second, the sustained appreciation of the Canadian dollar was reflected in a steady decline in machinery and equipment prices throughout the year.

Chart 4.5

Nominal Business Non-Residential Investment, by Region PPI Intentions, 1989

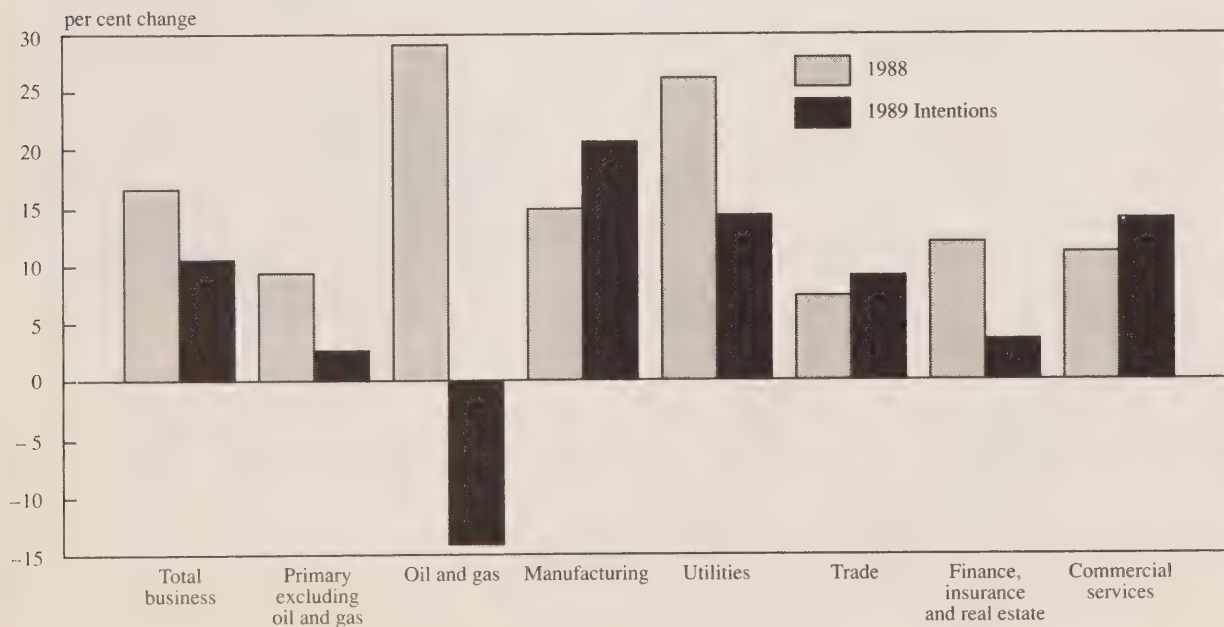


Statistics Canada's recently released Private and Public Investment (PPI) Intentions Survey indicates that investment spending will moderate in 1989, but continue to act as an engine of growth for the Canadian economy. After increasing approximately 17% in 1988, the level of nominal investment is expected to rise 10.5% in 1989. Regionally, investment spending intentions are particularly strong in Central Canada, British Columbia and parts of Atlantic Canada.

According to the survey, the manufacturing and utilities sectors will account for approximately 80% of the anticipated total increase in spending. This is particularly the case for the resource-based and investment-oriented manufacturing industries currently experiencing very high rates of capacity utilization. Capital spending in the oil and gas industry is expected to decline sharply.

Chart 4.6

Nominal Business Non-Residential Investment, by Sector PPI Intentions, 1989

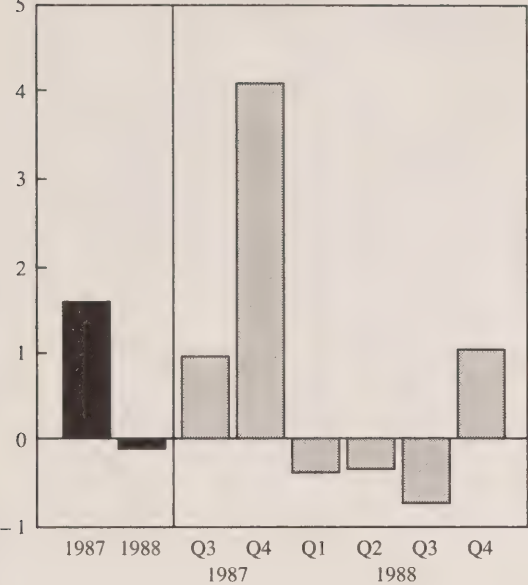


5. Business Inventories

Chart 5.1

Real Business Inventory Investment

billions of 1981 dollars – annual rate



Largely offsetting changes in inventory holdings between the farm and non-farm sectors during 1988 resulted in a very modest decumulation in overall inventory stocks. Non-farm accumulations fell to more modest levels during the second half of 1988 in the face of sustained, strong growth in sales. Within the farm sector, the severity of the drought sharply reduced grains production, requiring significant decumulations in inventories to meet demand during the first half of 1988. With inventory holdings largely depleted as a result, decumulations were much more modest during the latter half of the year.

Chart 5.2

Components of Real Business Inventory Investment

billions of 1981 dollars – annual rate

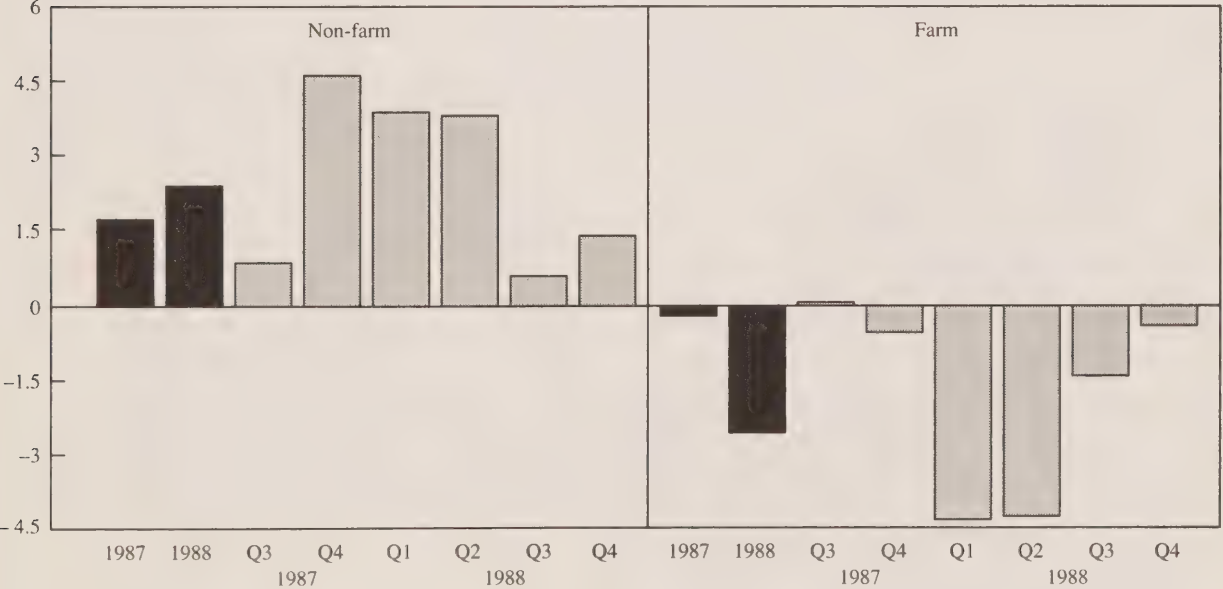
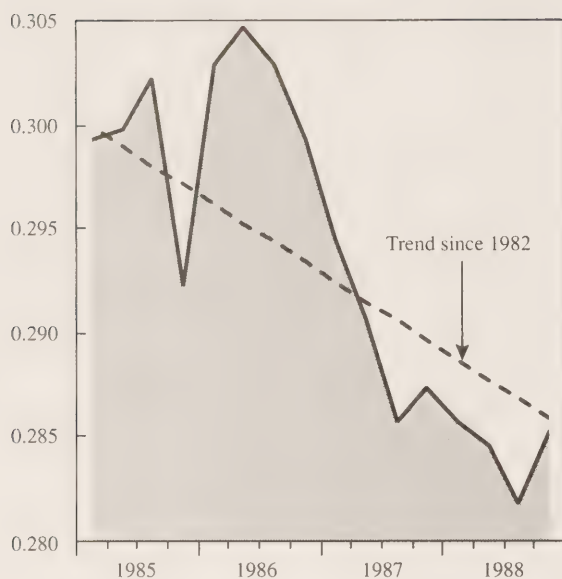


Chart 5.3

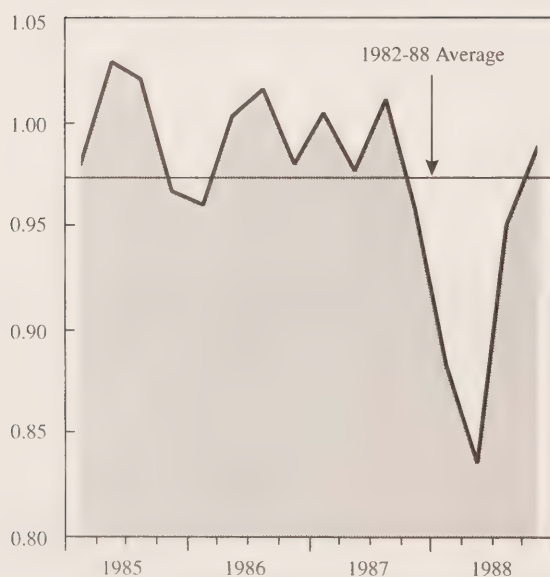
Non-Farm Business Inventory-to-Sales Ratio



Led by notable increases in inventories of retail autos and wholesale machinery and equipment (following decumulations in the third quarter), larger inventory accumulations in the fourth quarter contributed to a rise in inventory-to-sales positions. This increase moves relative inventory holdings back to the post-recession trend level. An expected slowdown in demand growth in 1989 should enable producers to maintain inventory-to-sales ratios near their desired long-run levels without a significant build-up of inventory stocks.

Chart 5.4

Agriculture Inventory-to-Sales Ratio



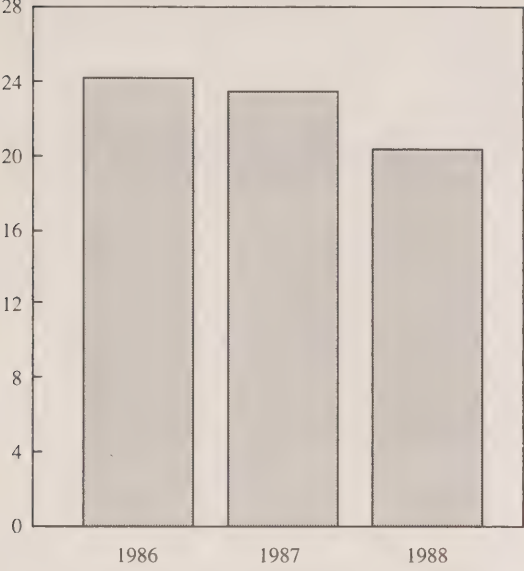
Because of the drought in Western Canada, farm inventories were brought down sharply in the first half of 1988 in response to export demand. As a result, the inventory-to-sales ratio dropped sharply from its average level over the 1982-1988 period. During the second half of the year, the farm inventory-to-sales ratio rebounded as a slowdown in the rate of decumulation of farm inventories was more than offset by a sharp reduction in grain exports.

6. Government Sector

Chart 6.1

Federal Deficit (CIEA Basis)

billions of dollars – seasonally adjusted at annual rates



In calendar year 1988, the federal deficit on a Canadian Income and Expenditure Accounts (CIEA) basis declined to \$20.4 billion from \$23.4 billion in 1987 (Chart 6.1).

In 1988, revenues were 11.3% above their 1987 level (Chart 6.2). Revenue growth was broadly based. Direct taxes from persons were 11.8% higher and direct taxes from corporations were up 12.2%. Indirect taxes rose 7.4%. Spending increased 6.8%. Growth in spending was led by interest on the public debt (up 14.0%) and transfers to other levels of government (8.8%). Transfers to persons rose by a more modest 4.7%. Other expenditures declined 5.6% reflecting drops in both subsidies and capital expenditure.

Chart 6.2

Change in Federal Government Revenues and Expenditures in Calendar Year 1988 (CIEA Basis)

per cent – year over year

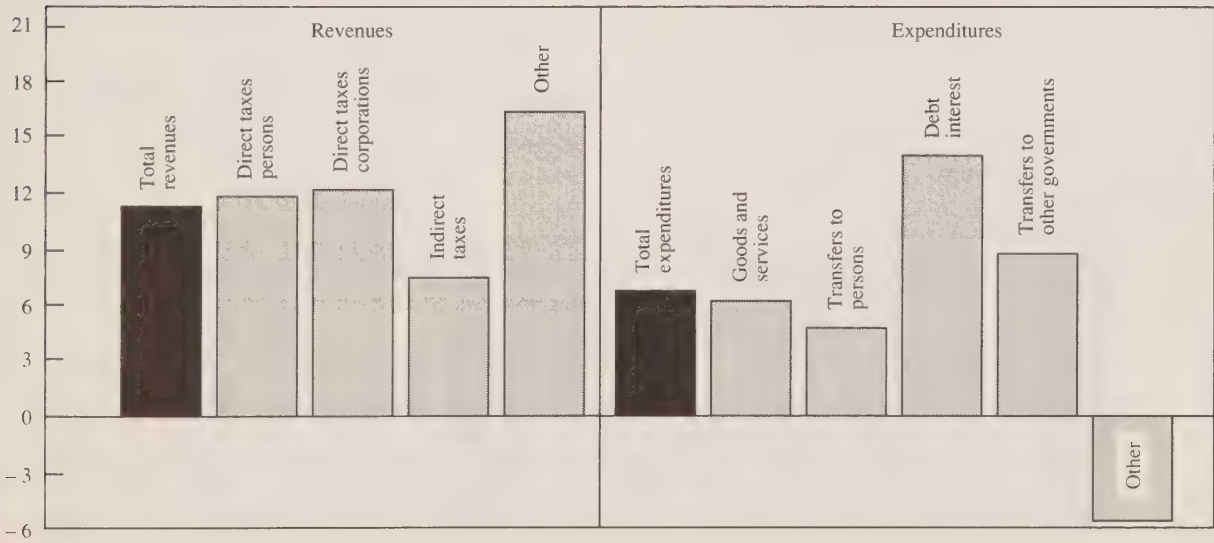
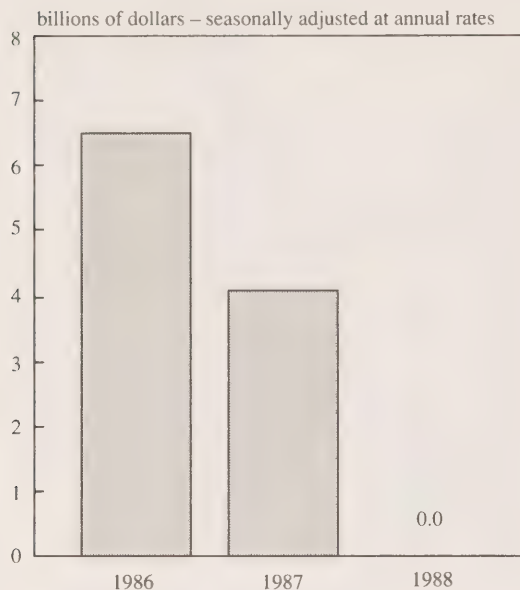


Chart 6.3

Provincial-Local Governments and Hospitals Deficit (CIEA Basis)

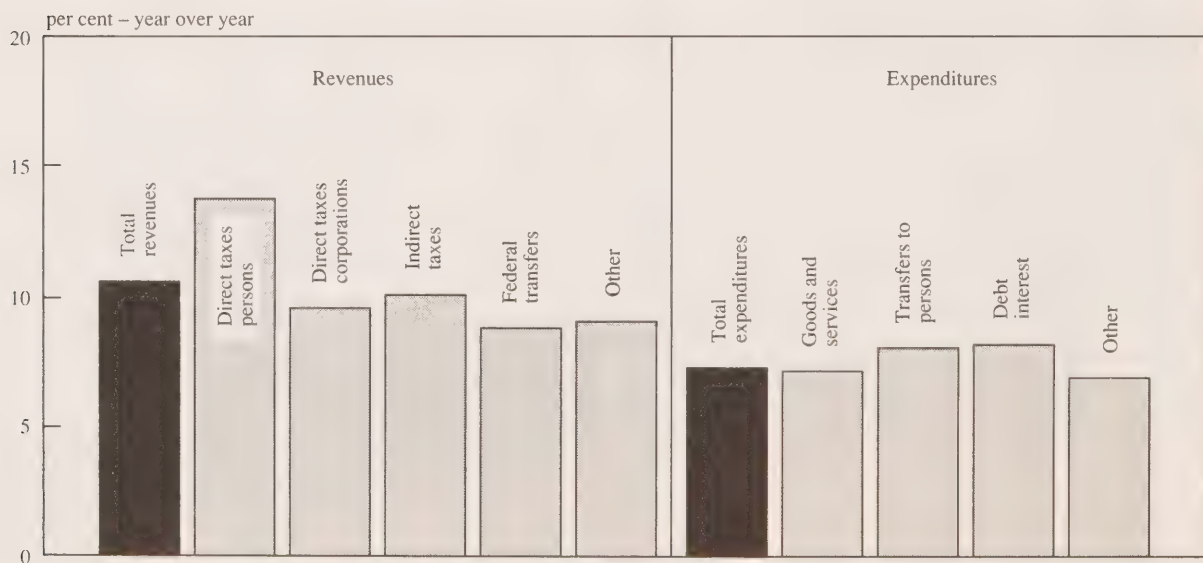


The consolidated budget for the provincial-local-hospital sector was virtually in balance in 1988; this compares with a \$4.1 billion deficit in 1987 (Chart 6.3). The substantial improvement in the balance of the P-L-H sector, which was accounted for by developments in the provinces, followed from the combined effect of strong increases in revenues and more moderate expenditure growth.

In 1988, revenues grew 10.6% while expenditures were up 7.3% (Chart 6.4). As with the federal government, the strength in revenues was widespread, led by direct taxes from persons, which posted a 13.7% increase. Expenditure growth was led by interest on public debt (up 8.1%) and transfers to persons (up 8.0%). Expenditures on goods and services rose 7.1%.

Chart 6.4

Change in Provincial-Local Governments and Hospitals Revenues and Expenditures in the Calendar Year 1988 (CIEA Basis)

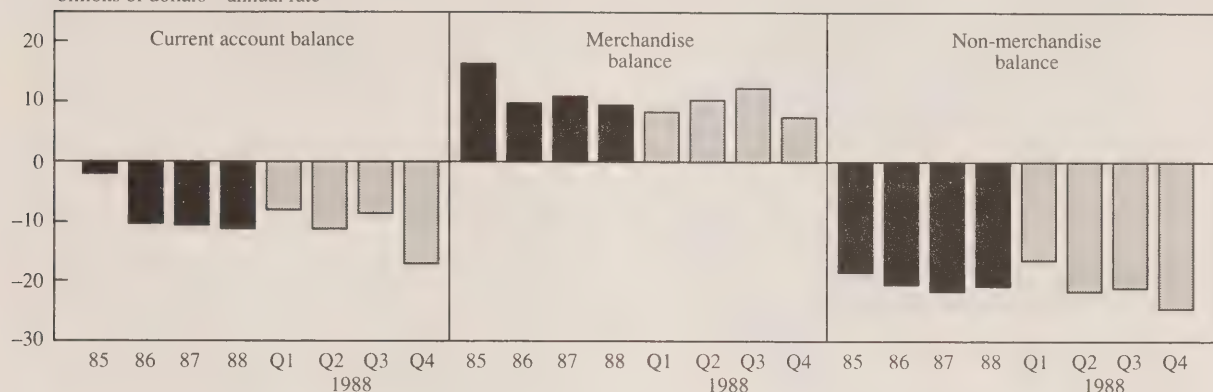


7. Foreign Trade

Chart 7.1

Current Account Balance

billions of dollars – annual rate



The current account balance deteriorated noticeably in the fourth quarter of 1988, as the merchandise trade surplus declined sharply and the deficit on non-merchandise transactions widened (Chart 7.1). The dominant factor in the deterioration in the non-merchandise balance was the sharp increase in the deficit for net investment income (Chart 7.2). While this was partly due to

increased interest rates, special one-time international dividend payments of over \$1 billion (quarterly rate) accounted for a large part of the overall deterioration. For 1988 as a whole, the current account deficit increased \$0.7 billion to \$11.3 billion. A deterioration in the merchandise trade balance accounted for more than all of the annual increase in the current account deficit.

Chart 7.2

Non-Merchandise Trade Balance by Component

billions of dollars – annual rate

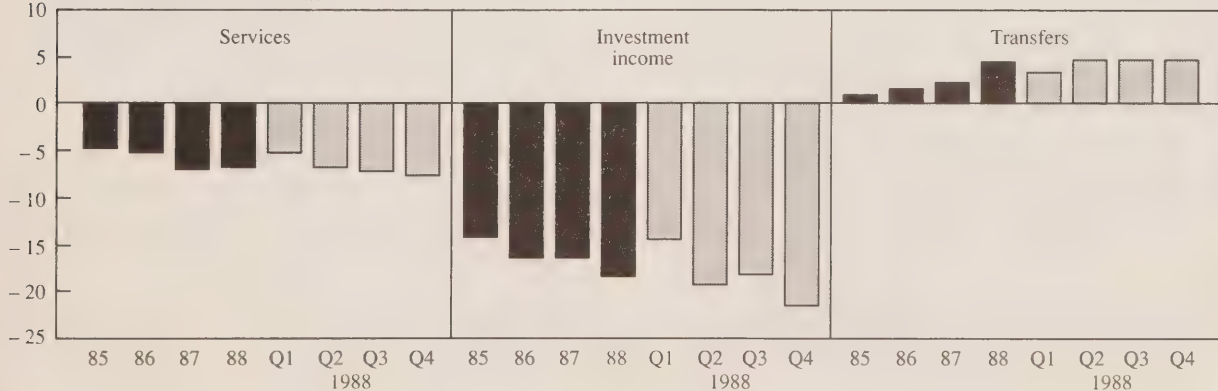
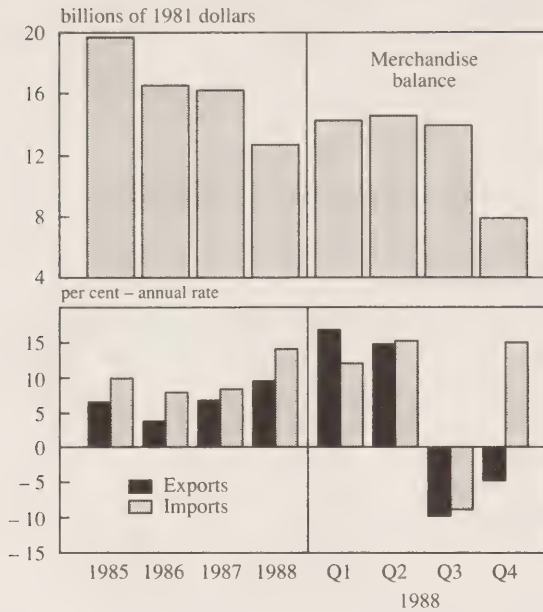


Chart 7.3

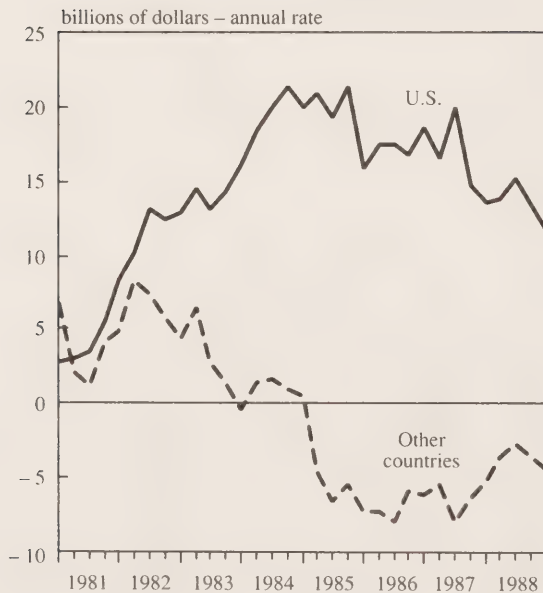
Real Merchandise Trade



The real net trade balance for merchandise deteriorated sharply in the fourth quarter, continuing a trend toward lower surpluses that began several years ago. The deterioration in the fourth quarter reflected a decline in real exports and a sharp increase in real imports. Among exports, the volume of sales declined most noticeably for wheat, as enhanced sales earlier in the year and the impact of the drought on crop production limited the amount of wheat available for export. Also, a temporary shut-down of an auto plant during the quarter reduced the volume of motor vehicle exports. On the import side, the volume of machinery and equipment imports rose by nearly 19% at an annual rate in response to strong domestic investment growth.

Chart 7.4

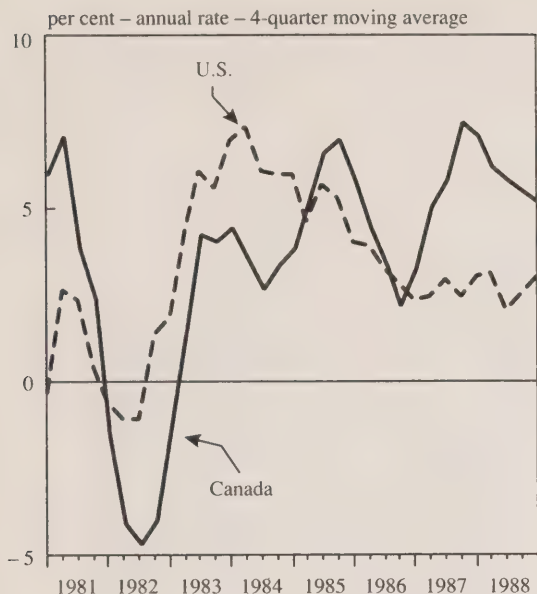
Merchandise Trade Balance with U.S. and Other Countries



On a geographical basis, the deterioration in the nominal merchandise trade balance in the fourth quarter was due to a sharp decrease in the trade surplus with the United States and an increase in the trade deficit with overseas countries. Since the mid-1980s, the surplus with the U.S. has gradually declined while the merchandise trade balance with overseas countries has improved, on balance, since mid-1987.

Chart 7.5

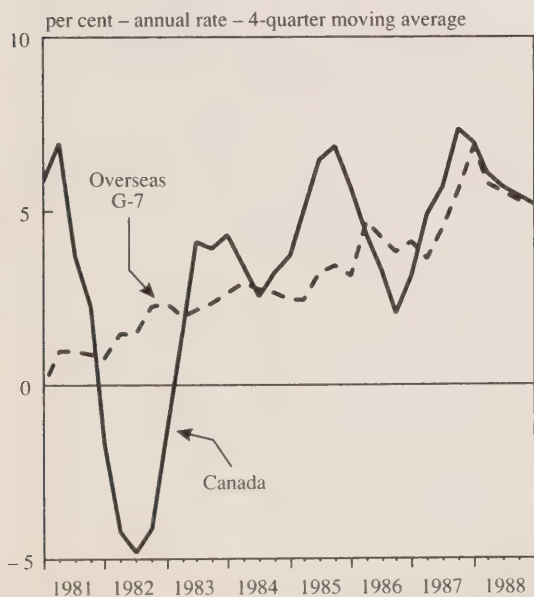
Change in Final Domestic Demand Growth in Canada and the U.S.



Differences in growth rates of domestic demand between Canada and its major trading partners have accounted for much of the swing in the merchandise trade balance over the decade. During the 1982-1984 period, final domestic demand growth in the U.S. significantly outpaced that in Canada and the merchandise trade surplus with the U.S. increased sharply. The reduction in the trade surplus since 1985 is due, in large part, to the much stronger relative growth in Canadian final domestic demand during recent years.

Chart 7.6

Change in Final Domestic Demand Growth in Canada and Overseas G-7 Countries

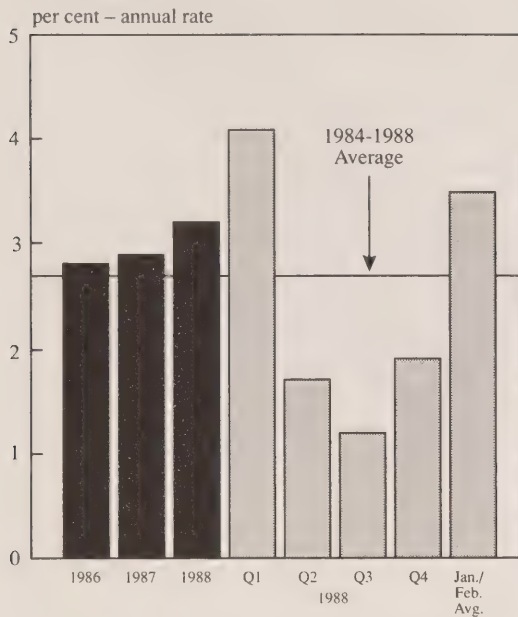


With respect to overseas countries, the deterioration in Canada's trade balance during the 1982-1986 period reflected the relatively stronger domestic demand growth in Canada, as well as the sharp appreciation of the Canadian dollar until 1985. Since 1986, demand growth in Canada has been closer to that of overseas countries. The trade balance has improved since mid-1987 due largely to the lagged effects of the depreciation of the Canadian dollar vis-à-vis the overseas currencies in the 1985-1987 period.

8. The Labour Market

Chart 8.1

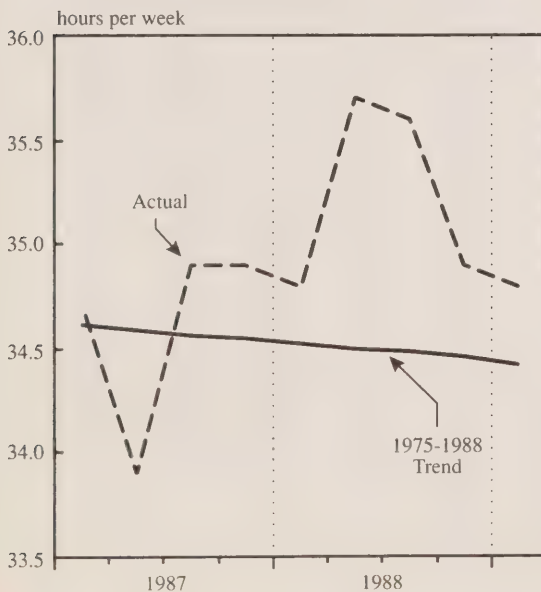
Employment Growth in Canada



Employment growth in 1988 was the strongest in nine years. Employment surged in the final two months of the year and the strength continued into early 1989.

Chart 8.2

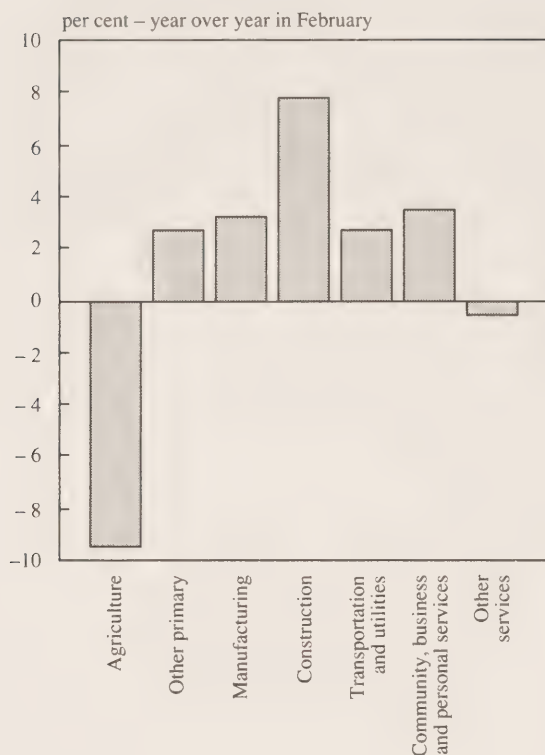
Actual and Trend Hours of Work



Fearing the slowdown in economic growth in 1988 that some believed likely following the October 1987 stock market downturn, employers tended to increase the hours of work of employees when faced with increased demand rather than hiring new workers. However, as it became apparent that the momentum of growth in output was stronger, employers began hiring additional workers and reduced the amount of overtime required to meet demand.

Chart 8.3

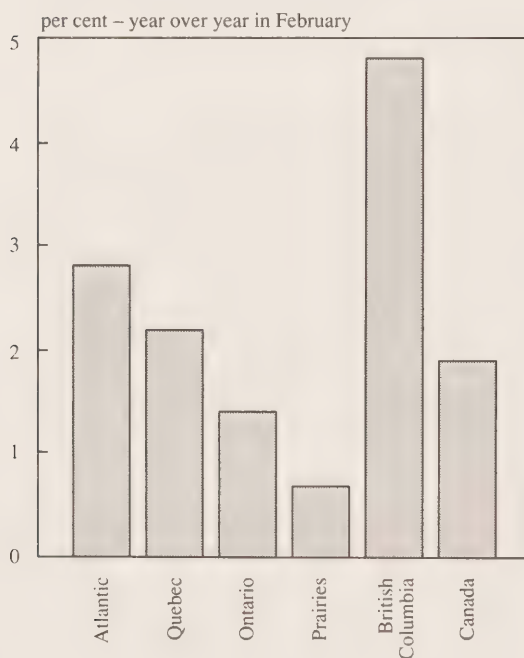
Employment Growth For Selected Industries



Year-over-year employment growth for goods-producing industries was 2.4% in February, compared to 1.7% for services-producing industries. The brisk activity in residential and non-residential building spurred the construction industry to expand employment by 7.9% in the twelve months ending in February. Employment in manufacturing rose 3.3%; and non-agricultural primary industries, which have benefited from high non-fuel raw materials prices, rose by 3.0%. There was a large decline in agricultural employment as a result of the drought in Western Canada.

Chart 8.4

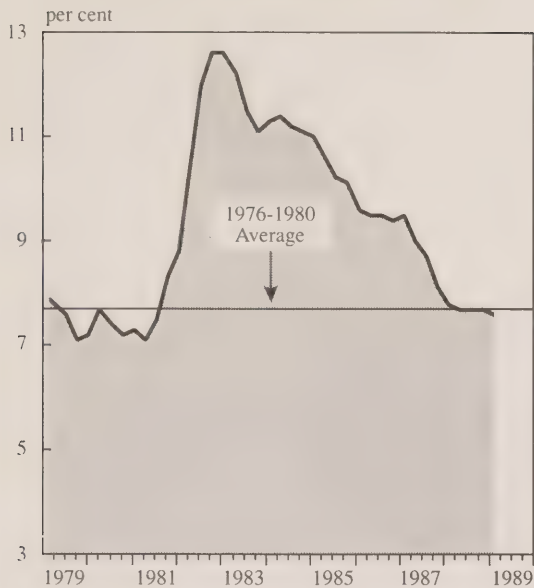
Regional Employment Growth



The fastest employment growth from February 1988 to February 1989 was in the two regions with the highest unemployment rates. Employment grew by 4.8% in British Columbia and by 2.8% in the Atlantic provinces. Employment growth in the Prairies was constrained by a decline in employment in drought-stricken Saskatchewan.

Chart 8.5

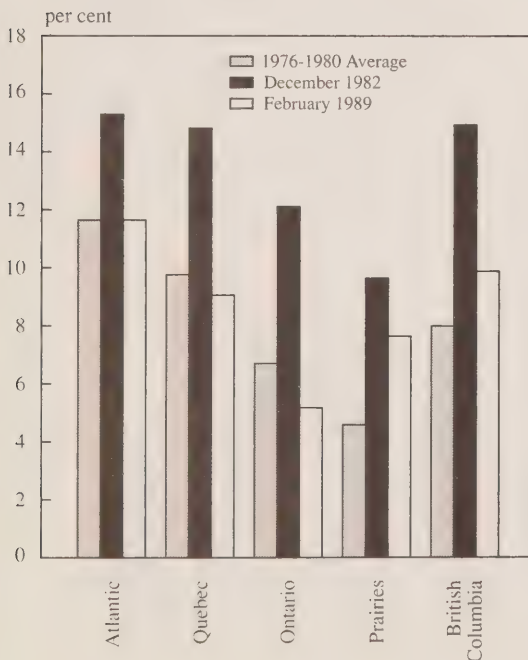
Canada's Unemployment Rate



Employment gains have been roughly matched by increases in the labour force since early 1988. Consequently, the unemployment rate has remained relatively unchanged during the past year, at about its pre-recession average level.

Chart 8.6

Regional Unemployment Rates

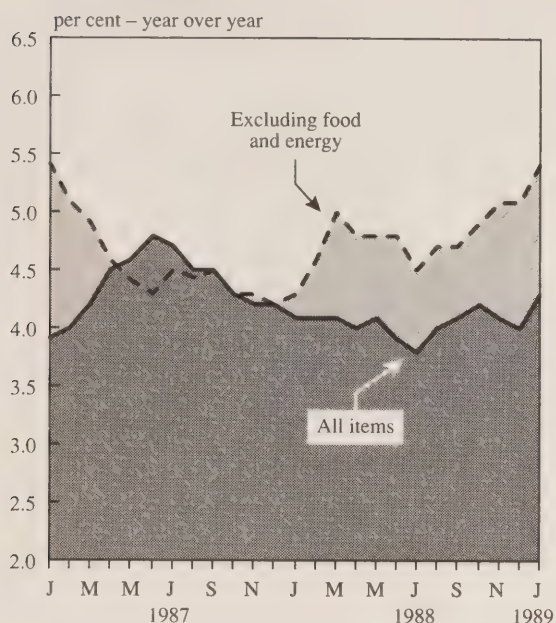


All regions of the country have experienced large declines in unemployment rates since the trough of the recession. In addition, the Eastern and Central regions of the country currently have unemployment rates which are at or below their pre-recession level. In particular, Ontario's unemployment rate is below any level between 1975 and 1987. Labour markets in the Prairie provinces and British Columbia have not entirely recovered from the 1981-1982 recession.

9. Price and Wage Sector

Chart 9.1

CPI Inflation



After declining from mid-1987 to July of 1988, the year-over-year rate of CPI inflation gradually increased during the past six months to reach 4.3% in January. Excluding the volatile food and energy components, the underlying inflation rate has been trending upward more significantly – reaching 5.4% in January.

The all-items inflation rate varies widely across provinces ranging from a high of 5.5% in Ontario to a low of 2.0% in Alberta. However, the underlying inflation rate is 4% or higher in all provinces except Newfoundland, Saskatchewan and Alberta. Rapid increases in shelter costs have been partially responsible for the higher underlying inflation rates in Central Canada.

Chart 9.2

CPI by Province – January 1989

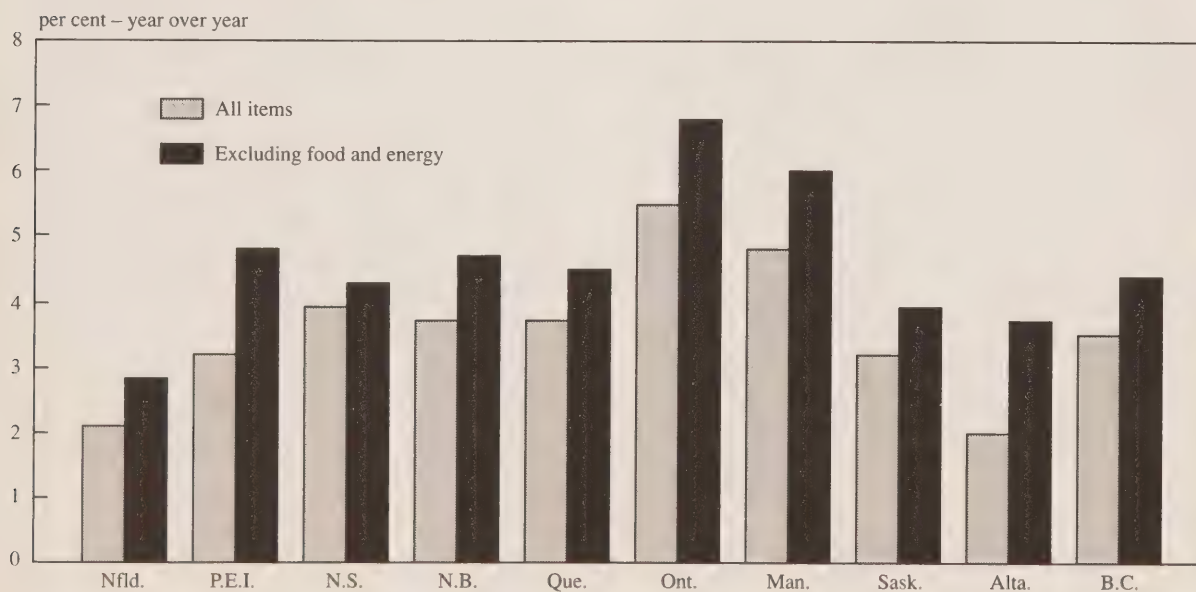
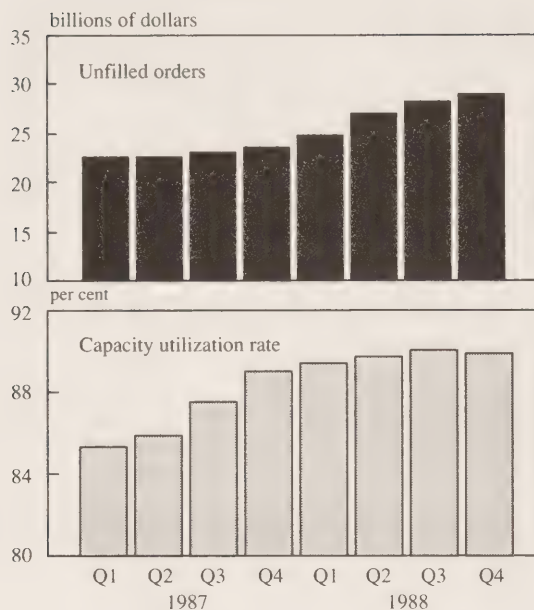


Chart 9.3

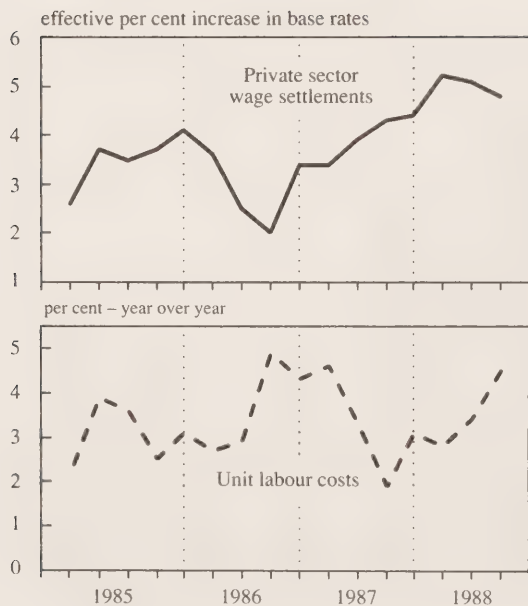
Demand Pressures in Product Markets



The increase in underlying inflation pressures reflects mainly the mounting tightness in labour and product markets. Capacity utilization rates are above long-term averages, and are approaching 100% in some industries, and unfilled orders – orders received by manufacturers but not yet filled – have risen sharply since late 1987.

Chart 9.4

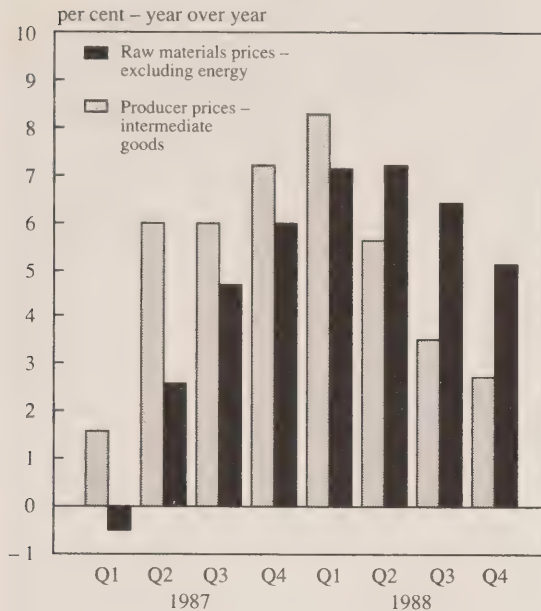
Wage Pressures



In response to tighter labour markets, private sector wage settlements have been trending upwards over the past two years, exceeding 5% in the second and third quarters of 1988 before easing slightly in the fourth quarter. In addition, high wage settlements have spread beyond Ontario, where the labour market is especially tight. Overall unit labour costs, after moderating in the second half of 1987, increased steadily in 1988 to end the year 4.5% higher than a year earlier. The rise in unit labour costs in the fourth quarter resulted from continued above 5% increases in average wages and a marked slowdown in productivity growth.

Chart 9.5

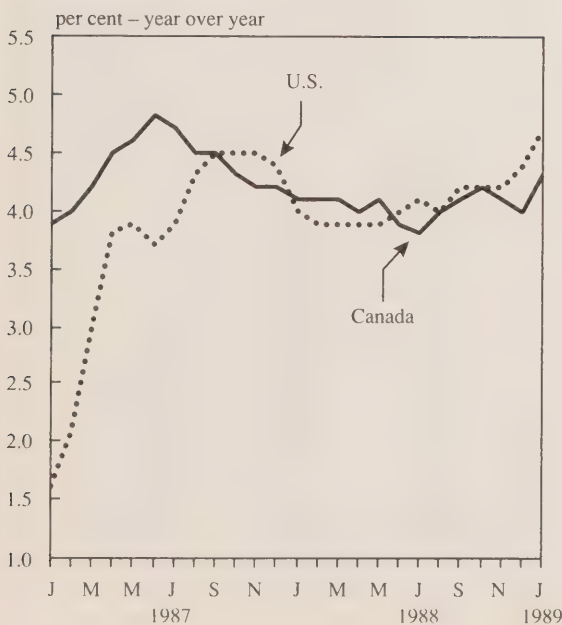
Change in Input Prices



In addition to demand pressures and rising labour costs, underlying materials prices have put upward pressure on producer prices. Non-energy raw materials prices increased steadily throughout 1987 and in early 1988, led by strong increases in non-ferrous metals prices. These price increases for raw materials kept the inflation rate for producers' prices of intermediate goods above 5% during the past year. However, the slower growth in raw materials prices since early 1988 will ease somewhat the pressure on producer prices in the near-term.

Chart 9.6

CPI Inflation in Canada and the U.S.

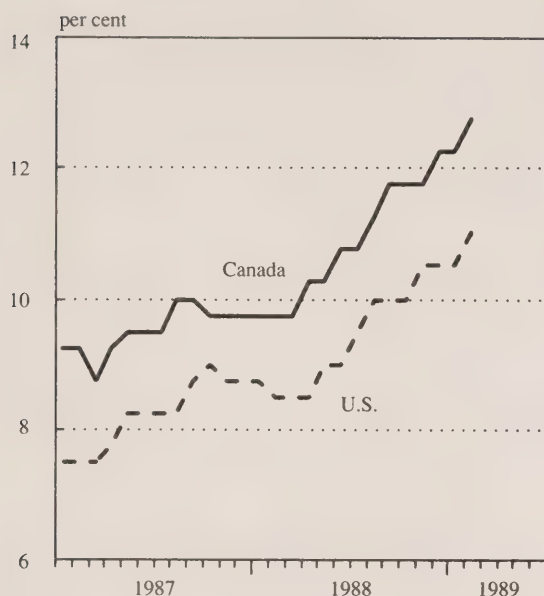


The year-over-year rates of inflation were similar in Canada and the United States throughout most of 1988, but recently the U.S. rate of inflation has moved up sharply. The all-items CPI inflation rate in the U.S. was 4.7% on a year-over-year basis in January compared to 4.3% in Canada.

10. Financial Sector

Chart 10.1

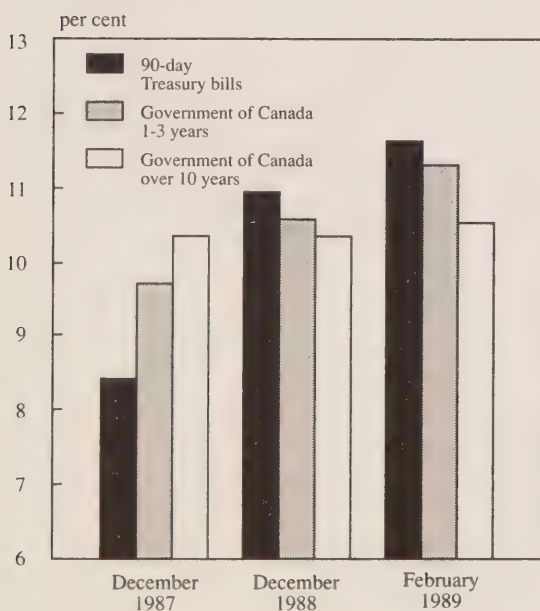
Prime Rates in Canada and the U.S.



In response to inflationary pressures, interest rates continued their upward trend in late 1988 and early 1989 in both the U.S. and Canada. Since October 1987, the Bank rate in Canada has increased by more than 380 basis points to reach 12.12% at the beginning of March. The prime rate early in March was 12.75%. The prime rate in the United States, at 11.50%, is at a level not seen since late 1984.

Chart 10.2

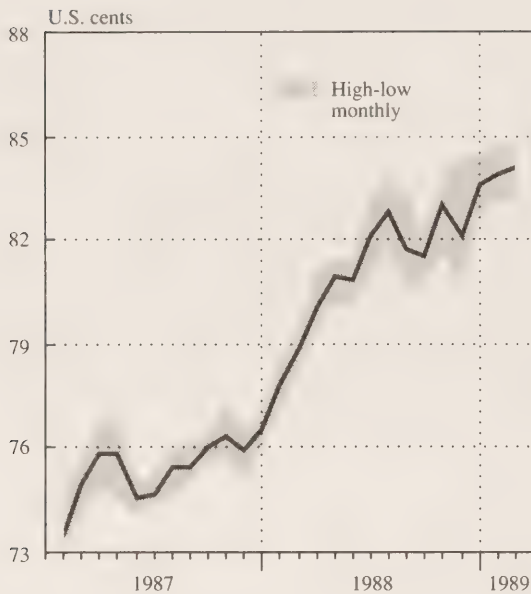
Short- and Long-term Interest Rates (end of period)



Short-term interest rates in Canada have increased much faster than long-term rates. The 90-day Treasury bill rate, which was at 8.41% in December 1987, rose to 11.87% in early March. Over the same period, the Government of Canada bond rate, over 10 years, has increased by only 14 basis points to 10.48%. Consequently, the spread between long- and short-term rates, which has usually been positive, has been negative since October 1988.

Chart 10.3

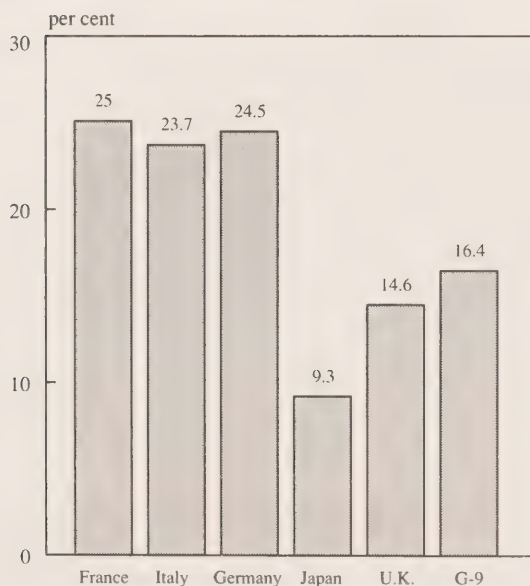
**Canadian Dollar
(noon spot)**



After relative stability in 1987, the Canadian dollar has recently appreciated substantially vis-à-vis its U.S. counterpart. From December 1987 to July 1988, the dollar rose by more than U.S. \$0.06 before stabilizing in the U.S. \$0.82-\$0.83 range. Since November, the dollar has continued its upward trend reaching U.S. \$0.845 in January, and is currently trading at around U.S. \$0.835.

Chart 10.4

**Appreciation of the Canadian Dollar
Since December 1987**

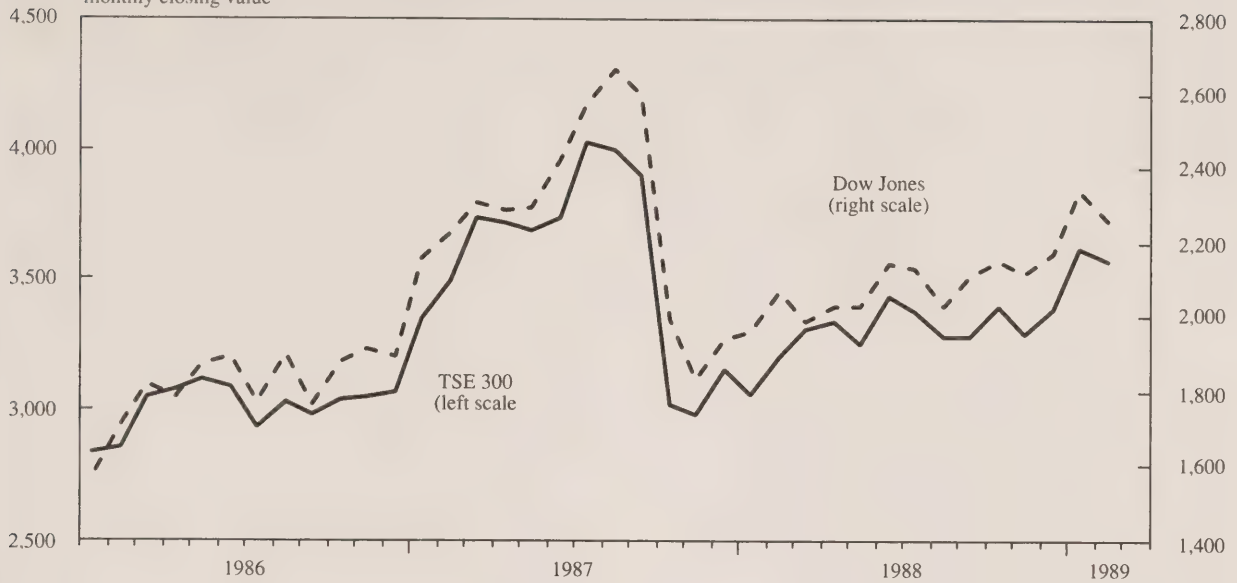


Against the major overseas currencies, the Canadian dollar has appreciated significantly during the last year as well. From December 1987 to February 1989, the Canadian dollar has appreciated by over 20% against the French franc, the German mark and the Italian lira.

Chart 10.5

TSE Composite (300) Index and Dow Jones Industrials

monthly closing value



The Canadian stock market has recovered all of the drop in share prices recorded on October 19, 1987, but the major price indices remain below their earlier peaks. In early March, both the TSE and Dow Jones were between 10 and 15% below their monthly peak reached in mid-1987. Stock market prices have been rising fairly steadily since the end of 1987 in both countries. Some sectors, such as merchandising and metals and minerals,

have fully recovered their previous peaks while others, such as oil and gas and paper and forest products, have recovered around 50% of their losses. The price-earnings ratio, which has been around 15 historically, is currently at 11.6. The low level of the ratio is partly attributable to the high level of current real interest rates, which attracts funds towards less risky investments.

Special Report

Prepared by:

Charles Smyth
Economic Analysis and Forecasting Division
Fiscal Policy and Economic Analysis Branch
Department of Finance.

*Views expressed in this special report represent
those of the author and should not be attributed
to the Department of Finance.*

11. The Macroeconomic Implications of the 1988 Drought

Introduction and Summary

Supply side shocks can have significant macroeconomic effects. The most recent illustration of this is the drought which hit the grain growing regions of North America and parts of South America, such as Argentina, in 1988. The drought has resulted in tightening world grain and oilseed supply conditions. No growth in global wheat production is expected in the 1988-89 crop year and world wheat consumption is forecast to exceed production for a second year in a row.⁽¹⁾ As a result, world stocks for wheat are expected to fall by 18% in the 1988-89 crop year compared with the previous crop year. Production of the 10 major world oilseeds is also forecast to be down dramatically in the current crop year, resulting in oilseed stocks falling 23%.

In response to these tighter supply conditions, world grain and oilseed prices have risen dramatically. The International Wheat Council price index, which is an average of export wheat prices in the U.S., Canada and Australia, rose by 40% between the beginning of 1988 and early 1989.

Canada, as a major cereals producing and exporting nation, has been considerably affected by last summer's drought through production losses and the rise in grain and oilseed prices. This special report summarizes the implications of the drought for overall Canadian economic performance in 1988 and 1989. Among the main macroeconomic effects discussed are the following:

National Real GDP

- The direct effect of the drought was to lower the real GDP growth rate in 1988 by approximately 0.4 percentage points.
- Due to the manner in which crop production is dealt with in the Canadian Income and Expenditure Accounts, the impact of the

drought on the growth rate of output was recorded in the first quarter of 1988, through a massive run down in farm-held inventories.

- A return to normal crop yields in 1989 would boost this year's real GDP growth rate by approximately 0.4 percentage points above what it would have been if last year's drought had not taken place. This increment to growth will be concentrated in the first quarter.

Inflation

- The drought raised CPI inflation in Canada by somewhat less than one-half of a percentage point last year. For 1989, the ongoing ramifications of last year's drought are likely to add a little less than one-quarter of a percentage point to the inflation rate.
- The impact of the drought on total food prices in 1988 was in large measure offset by the coincident abandonment of Canada's two-tier wheat pricing system and the appreciation of the Canadian dollar.

Trade

- The drought will result in a temporary loss of Canada's market share of the international grain trade. Canada's share of world wheat exports will be roughly halved in the 1988-89 crop year relative to a recent average, but should rebound in the 1989-1990 crop year.
- Despite the major rise in grain and oilseed prices in 1988, Canada's nominal wheat exports fell sharply in the fourth quarter of 1988 to \$3.6 billion, down from an average of \$4.9 billion during the previous three quarters. In constant dollar terms, the decline in wheat exports in the second half of 1988 was even sharper. Wheat exports are likely to remain depressed in 1989 and then rebound in 1990 to levels close to the averages that prevailed during the early 1980s.

(1) Crop years differ by country, region and commodity. The Canadian wheat crop year is on an August-July basis while the U.S. wheat crop year is on a June-May basis. Argentina's crop year extends from December to November.

Chart 11.1

Production of Seven Major Grains in Canada

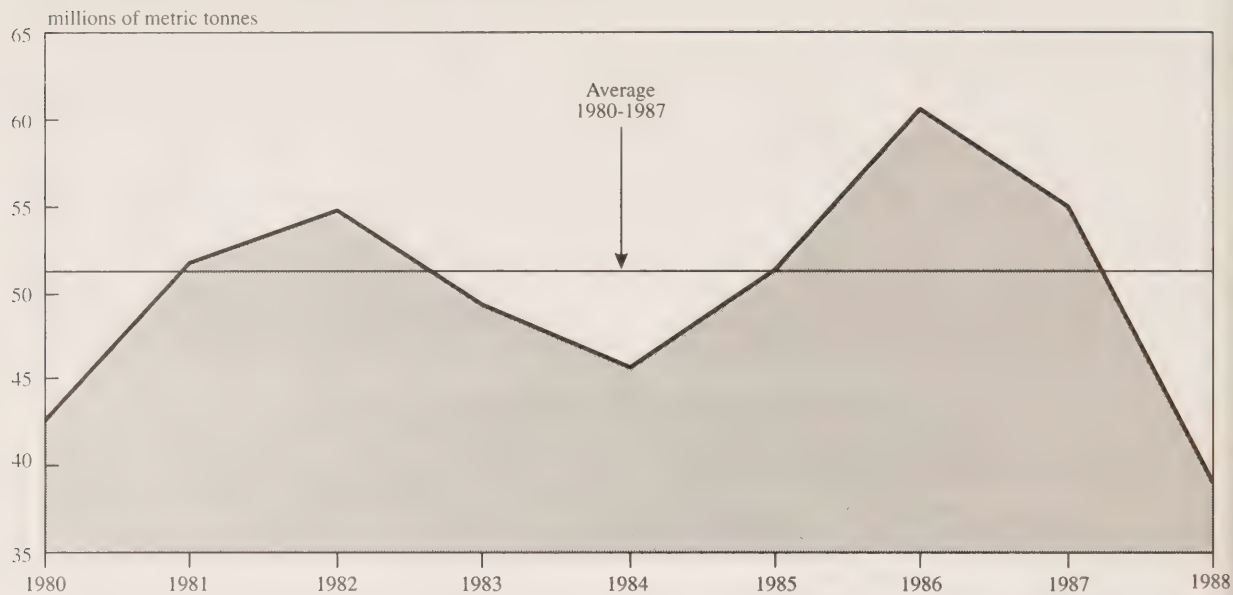
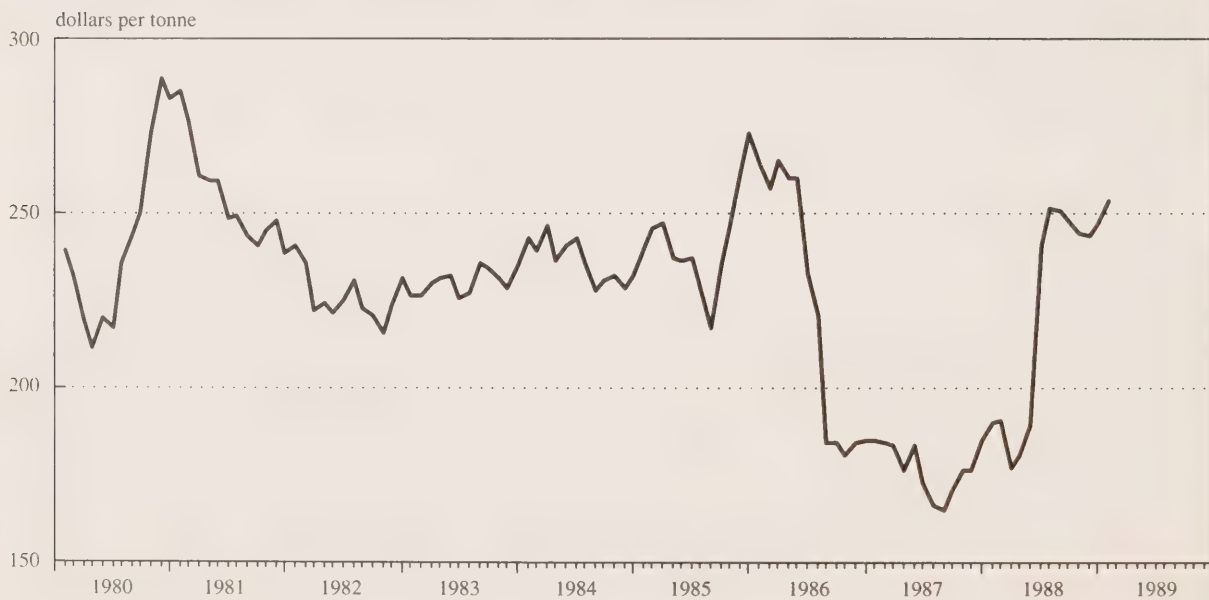


Chart 11.2

**No. 1 Canada Western Red Spring Wheat
Canadian Wheat Board Export Price, Basis St. Lawrence**



Farm Income

- The rise in cereal prices more than offset the decline in marketings of grains and oilseeds in 1988, resulting in Canadian net realized farm income reaching a record level of \$5.7 billion last year. Farm income rose in Alberta and Saskatchewan, but fell in Manitoba in 1988.
- The evolution of farm income in 1989 will depend importantly on whether Canada experiences a normal harvest this fall as well as the extent to which the expected recovery in world production volumes puts downward pressure on international grain prices.

Canadian Grain Markets and the Drought

Extreme hot and dry weather conditions last year brought about a sharp decline in crop output in Canada through severely reduced yields. Production of the seven major grains in Canada declined 29% in 1988 from the 1987 level (Chart 11.1). Total wheat production dropped 40% and coarse grain output declined 23% while oilseed production fell only 1%. Field crop production as a whole dropped by 21% in 1988, including vegetables and other non-grain crops.

Last year's poor harvest led to a further draw down of already tight stocks of grains and oilseeds. Agriculture Canada estimates that Canadian wheat stocks fell in 1988 to their lowest level since 1951. Although these low stocks will constrain Canada's grain and oilseed exports, they will also be an incentive, combined with higher cereal prices, to increase plantings in 1989.

Among the provinces, Saskatchewan suffered the severest declines in production. Wheat and barley output in the province fell 57 and 48%, respectively. Manitoba experienced the second largest decline in production with wheat output falling 39% while both barley and oats production declined 46%. Alberta suffered the smallest crop losses among the Prairie provinces. Wheat output fell 9% in that province while oats and canola production actually rose by 32 and 15%, respectively. In Central Canada, Quebec escaped most of the drought while Ontario suffered a 36% decline in its barley crop and a 32% drop in corn production.

International and Canadian grain prices increased substantially last year, as a result of tightened world cereal supply conditions. This represented a marked change from the depressed prices recorded in late 1986 and 1987. The price of No. 1 Canada Western Red Spring wheat, Canada's representative export price in international markets, shot up dramatically in June 1988 in response to emerging evidence that a severe drought was taking place in North America (Chart 11.2). By July 1988, the price was up 51% over the same period a year earlier. Since last summer, Canadian wheat and other grain prices have remained at high levels. As of January 1989, wheat prices were at their highest level since May 1986.

Macroeconomic Impacts of the 1988 Drought

National Real GDP

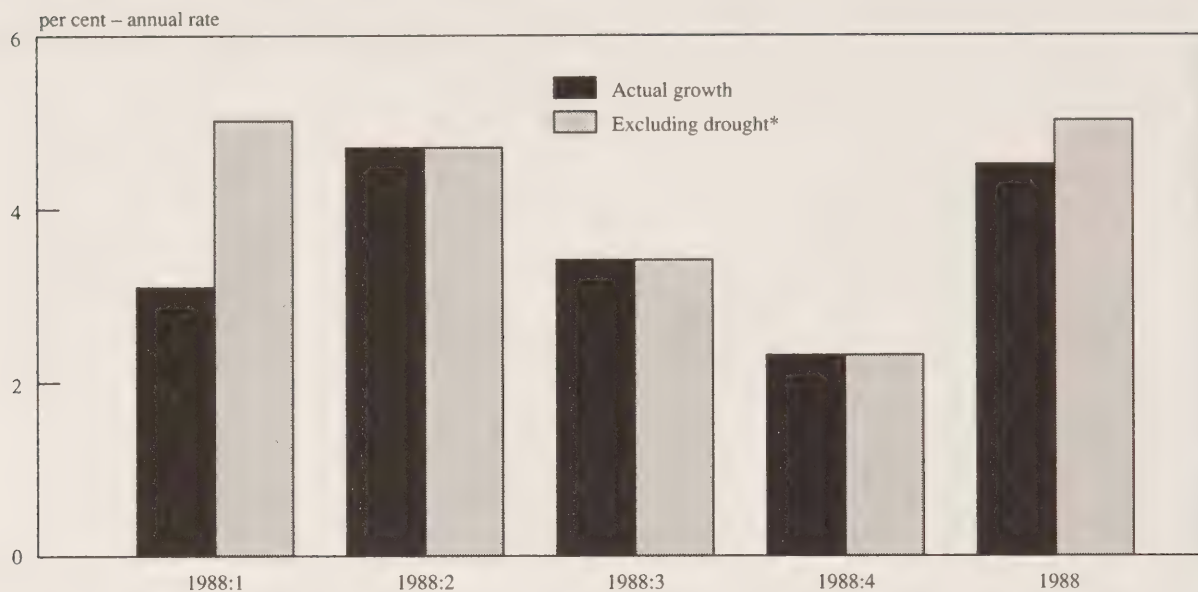
The drought is estimated to have lowered the level of real GDP by 0.4% in 1988. Thus, if the drought had not occurred, real GDP growth in 1988 would have been almost 5% rather than the actual outcome of 4.5%. A return to normal crop production this year should add approximately 0.4 percentage points to the real GDP growth rate in 1989.

The estimated 21% decline in total field crop production in 1988 implies that the share of field crop output in total real GDP was reduced to about 1.7% in 1988 from a "normal" share of 2.1% recorded over the 1981-84 period. The calculated impact of the drought of 0.4% on real GDP represents the difference between this "normal" field crop share and the reduced share of 1.7%. This estimate, of course, only takes account of the direct impacts of the drought and does not capture second-round effects, such as income effects and inter-industry linkages.

The implications of the drought for quarter-to-quarter growth rates for real output bear special mention. In the Canadian Income and Expenditure Accounts, changes in crop production affect real output through the associated effect on the change in farm-held inventories. Statistics Canada spreads the annual crop estimate through the four quarters of the year. When these annual estimates of crop production differ greatly from one year to another,

Chart 11.3

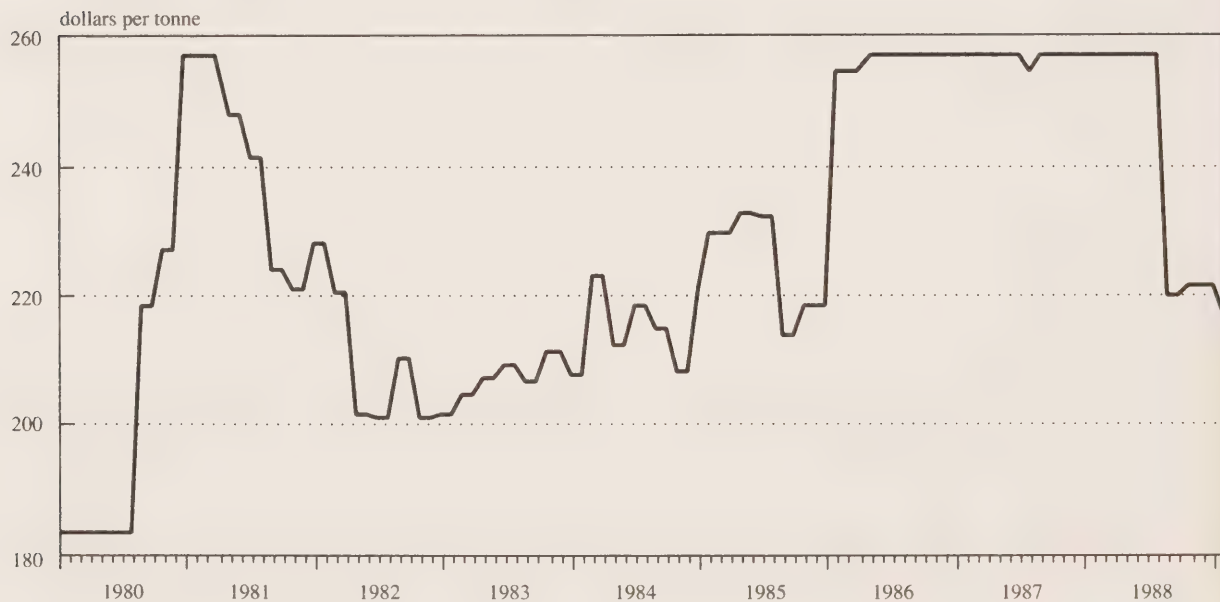
Real GDP Growth at Market Prices – 1988



*Department of Finance estimates.

Chart 11.4

No. 1 Canada Western Red Spring Wheat Domestic Milling Price, Basis Thunder Bay



a sizable change in farm-held inventories takes place in the first quarter national accounts. In 1988, the large drop in crop production resulted in a significant decline in real farm-held inventories in the first quarter. This weakened first-quarter growth more than would have been the case if the drought had not taken place. Growth in real GDP in the first quarter of 1988 would have been an estimated 5% at annual rates in the absence of the drought. Instead, real GDP growth in the quarter was 3.1% (Chart 11.3).

Statistics Canada's methodology for handling its crop estimates implies that an assumed return to more normal growing conditions in 1989 will increase the growth rate in the first quarter of this year. This will be reflected in a large increase in farm-held inventories in the quarter. While this implied strength of agricultural activity will boost first quarter real GDP growth by 0.4 percentage points at a quarterly rate, the timing of this growth impact is entirely an accounting effect. Only later in 1989, as the harvest actually takes place and export volumes pick up, will agricultural output and income rise in actuality.

Inflation

The impact of the drought on inflation was quite small last year and should be even less in 1989. The drought is estimated to have raised overall consumer price inflation by less than one-half of one percentage point last year. Continued increases in meat, poultry and egg prices in 1989, caused by last year's drought, should contribute a little less than one-quarter of a percentage point to consumer inflation this year.

In 1988, the rise in Canadian grain and oilseed prices had contradictory impacts upon various components of retail food prices. Although cereal prices rose dramatically last year, they constitute a small weight in final consumer prices. The cost of raw material inputs such as wheat, sugar and vegetable oils represent only about 15% of the final retail price of cereal and bakery products. Higher feed costs caused by the drought were passed on in the form of higher consumer prices for eggs and poultry. Cattle and hog producers, on the other hand, reduced stocks as feed costs rose and profit margins narrowed, holding down beef and pork prices.

Because of these contradictory impacts on various food components – raising prices for cereal-based products, poultry and eggs but lowering meat prices – it is estimated that the most probable impact of the drought on retail price inflation was an increase ranging between one-quarter and one-half of a percentage point in 1988.

In addition to these factors, changes to institutional arrangements and an appreciating exchange rate also provided offsetting influences on food prices last year. While the price of No. 1 Canada Western Red Spring wheat, Canada's key wheat export price, rose by 25% in 1988 compared with the 1987 level, the domestic wheat price for human consumption actually fell by almost 6% last year (Chart 11.4). In August 1988, Canada abandoned its two-tier wheat pricing system, causing a decline in the domestic price for wheat, despite the rise in international wheat prices. The appreciation of the Canada-U.S. exchange rate in 1988 also helped to mask the effect of the drought on consumer inflation last year. The Canadian dollar appreciated almost 7% in terms of U.S. funds during the course of last year. This appreciation placed downward pressure on import food prices, offsetting the rise in prices caused by the drought.

For 1989, the price impact from the drought is expected to be felt mostly through higher egg, poultry and meat prices. According to Agriculture Canada's December issue of *Market Commentary*, retail egg prices will remain at their high fourth quarter levels until the third quarter of 1989, when feed costs are expected to decline as new supplies come on stream. Retail beef prices are forecast to increase in the first half of 1989, due to decreased marketings of cattle in the North American market, followed by seasonal weakness in the third quarter of this year. Chicken prices are expected to remain high for the first three quarters of 1989 because of limited increases in production and continued high feed costs. As a result, these increases in meat, poultry and egg prices caused by the drought will, *ceteris paribus*, contribute a little less than one-quarter of a percentage point to the consumer inflation rate in 1989.

Trade Impacts

The drought of 1988 will temporarily reduce Canada's share of the world grain trade. Table 1

Chart 11.5

Canadian Wheat Exports



Chart 11.6

Realized Net Farm Income



presents a comparison of the historical and expected shares of world wheat exports for the 1984-85 to 1989-90 crop years. Canada's share is forecast to fall to 11.4% in the 1988-89 crop year, down from its historical average of 21% during the mid-1980s. In contrast, most other exporting countries are expected to increase their market share. In fact, the United States is projected to increase its market share in the 1988-89 crop year to 42.4% from 41.4% in 1987-88. This increase is expected, despite the drought in the U.S. midwest in 1988, because of the build up of crop inventories by American farmers in the mid-1980s. The EEC is also projected to dramatically increase its share of the world wheat market in 1988-89 to 21.3% from 15.1% in 1987-88. Assuming a normal harvest this fall, Canada's market share is expected to bounce back in the 1989-90 crop year.

Canada's market share of the world grain trade has already begun to weaken, as exports of Canadian wheat plummeted in the fourth quarter of 1988 (Chart 11.5). Before this period, however, Canadian wheat exports were quite robust. Nominal exports of wheat were very strong in the first three quarters of 1988, averaging \$4.9 billion during this period, the best performance since 1984. This strong export performance was aided by a sharp increase in world wheat prices in June of 1988. In addition, above-average harvests experienced in 1986 and 1987 allowed farmers to stockpile surplus quantities of grain and oilseed output at this time. As grain prices began to improve in late 1987 and international market

opportunities opened up for Canadian exporters, farmers started to liquidate their grain and oilseed stocks. This liquidation accelerated as the drought dramatically boosted prices, encouraging farmers to market as much grain and oilseeds as possible last year. However, with inventories having been largely depleted, coupled with last fall's poor harvest, farmers were left with little to export by the fourth quarter of 1988. As a result, nominal wheat exports on a seasonally adjusted basis fell to \$3.6 billion in the fourth quarter of 1988, a decline of over 30% from the previous quarter.

In real terms, the weakening in wheat exports has been even greater. The volume of wheat exports fell sharply in both the third and fourth quarters of 1988. By the end of 1988, real wheat exports were more than 40% below the average during the first half of the year.

This weakness in the volume of Canada's wheat exports is expected to persist into 1989 as last year's drought continues to influence Canada's merchandise trade flows. If normal growing conditions prevail this fall, grain inventories should be replenished and wheat exports should rebound in 1990 to levels close to the averages that prevailed during the early 1980s.

Farm Income

The drought has had mixed effects on farm incomes. Farm income can be measured in a number of ways. The two measures of farm income referred to in this report include realized

Table 1
Canadian Share of World Wheat Exports

Country	Average 1984-85/1987-88	1988-89	1989-90
	(per cent)		
Canada	20.7	11.4	19.4
United States	34.7	42.4	37.8
EEC	16.8	21.3	15.3
Australia	15.2	11.6	11.7
Argentina	5.8	4.3	4.1
Other	6.8	9.0	11.7
World trade	100.0	100.0	100.0

Source: Agriculture Canada, *Market Commentary*, December 1988.

net farm income and total net farm income. Realized net farm income is equal to total farm cash receipts, including government subsidies, less operating expenses and depreciation charges. It is estimated that realized net farm income in Canada reached a record \$5.7 billion in 1988, a 7.5% increase from the level recorded in 1987 (Chart 11.6).⁽²⁾ Realized net farm income rose in 1988 for two reasons: The drought in North America and other parts of the globe raised international grain and oilseed prices, offsetting the decline in marketings. In addition, as farmers saw international cereal prices strengthen, they sold off their substantial grain inventories, thereby supporting sales revenues.

The other measure of farm income, known as total net farm income and used in the Canadian Income and Expenditure Accounts, paints a somewhat different picture for farm income in 1988. This measure adjusts realized net farm income for changes in the value of farm-held inventories. Because of the large draw down of farm-owned inventories in 1988, it is estimated that total net farm income fell by 13% to \$4.4 billion last year.

Regionally, Agriculture Canada estimates that realized net farm income improved substantially in most of the provinces hard hit by the drought in 1988. Measured on this basis, Saskatchewan farm income is estimated to have increased by 11% last year while Alberta's farm income rose by almost 50%, stimulated by substantially increased livestock production. In Manitoba, farm income is estimated to have fallen by almost 10% last year. However, using the measurement of total net farm income, which includes farm-held inventories, Agriculture Canada estimates that Saskatchewan and Manitoba experienced declines of 67 and 53%

in farm income, respectively, in 1988. Alberta's total net farm income, however, rose by 61% last year.

In 1989, Canadian farm incomes should be boosted by higher production levels. However, increased output in other countries could well result in downward pressure on grain and oilseed prices. The net impact on farm incomes for 1989 is as yet unclear.

Prospects for the 1989-90 Crop

Anecdotal evidence suggests that Canada will probably not suffer another drought in 1989. The Prairie provinces have received good snow coverage to date, this winter, in most areas. While an adequate snowfall is important to prevent soil erosion during winter, it is not sufficient by itself to determine high crop yields. The key period for determining appropriate moisture levels for healthy crop production is the spring and early summer months. In the United States, recent precipitation has also mitigated the probability of another drought striking the Midwest states in 1989. Nonetheless, changing weather patterns in North America have caused volatility in grain and oilseed prices in recent weeks. Careful monitoring of weather conditions, as we approach the spring planting season, will be required to determine the ultimate fortunes of the Canadian grain and oilseeds harvests of 1989. In addition, the future evolution of agricultural subsidies in the EEC and the United States, as well as the outcome of spring discussions among GATT members, will have important implications for the international grain market and the incomes of Canadian producers.

(2) This estimate is based upon Statistics Canada data. Data from Agriculture Canada suggest that this income figure may be revised down to about \$5.2 billion when Statistics Canada's data are revised in June 1989.

Lacking June 1989

AI
EN
E16

Canada
Publications

Quarterly Economic Review

September 1989

Canada

Quarterly Economic Review

September 1989



Department of Finance
Canada

Ministère des Finances
Canada

Cette publication est également offerte en français.

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, the Organization for Economic Co-operation and Development (OECD) and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is September 12, 1989.

Comments or questions should be directed to Richard Egelton (613-992-9324), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Contents

1. The Economy in Brief	1
Growth in real GDP slowed to an annual rate of 0.6% in the second quarter as real net exports posted a major decline.	
2. Personal Sector	5
Growth in consumer spending rebounded to 5.3% in the second quarter. Spending on automobiles, clothing and footwear was particularly strong.	
3. Housing Sector	9
Residential investment declined 14.7% in the second quarter, as real estate commissions were off sharply, reflecting the weakness in the resale housing market.	
4. Business Non-Residential Investment	13
Business fixed investment increased 8.8% in the second quarter, and was once again the strongest growing component of domestic demand. Spending on machinery and equipment was up 13.1%.	
5. Business Inventories	17
Inventory accumulation added 2.6 percentage points to the annualized growth rate in the second quarter. Both farm and non-farm inventories contributed to the increase.	
6. Government Sector	19
The federal deficit, on a Canadian Income and Expenditure Accounts basis, was \$23.8 billion (annual rate) in the first half of 1989, up from \$20.5 billion in 1988. The budget for the provincial-local-hospital sector was virtually in balance in the first half of 1989.	
7. Foreign Trade	21
A sharp decline in net exports subtracted 5.0 percentage points from the annualized growth rate in the second quarter. The current account deficit widened to a record \$22.7 billion in the second quarter from \$14.7 billion in the first.	
8. The Labour Market	25
Employment growth has rebounded in mid-year, dropping the unemployment rate to 7.4% in August. The lengthened average work week is also expanding total hours worked.	
9. Price and Wage Sector	29
The CPI inflation rate increased to 5.4% in June and July, in part because of indirect tax increases in recent federal and provincial budgets.	
10. Financial Sector	33
Canadian short-term interest rates have held steady since March, while U.S. rates declined. The differential between Canadian and American short-term rates stood at 334 basis points at the end of August. In response to the wide interest differential, the Canadian dollar rose above U.S. \$0.85 in August.	

Special Report

11. Measuring the Financial Situation of the Federal Government

39

This report compares the two main accounting systems used to define the government's financial position: the national accounts and the public accounts. Particular attention is given to the conceptual and methodological differences between the two systems. The relation between the public and national accounts deficits and financial requirements is discussed and a reconciliation between the public and national accounts debt is provided.

1. The Economy in Brief

Highlights of the Second Quarter

- Growth in real GDP slowed to an annual rate of 0.6% in the second quarter from 3.3% in the first. A sharp deterioration in real net exports was a major factor underlying the slowing in growth.
- Final domestic demand grew 3.4% led by non-residential investment and a rebound in consumer expenditures. Residential investment, on the other hand, declined by 14.7%.
- The rate of inflation, as measured by the year-over-year change in the consumer price index (CPI), increased to 5.4 per cent in both June and July. The increase in inflation since May in part reflects indirect tax increases in recent federal and provincial budgets.
- Sharp increases in employment in the May to August period have reduced the unemployment rate to 7.4%.

Summary

Economic growth slowed to an annual rate of 0.6% in the second quarter, compared with 3.3% in the first (Chart 1.1). The main reason was a sharp deterioration in Canada's net export balance. This reduced the annualized growth rate of real GDP by almost 5.0 percentage points. The current account deficit increased to a record \$22.7 billion in the second quarter (Chart 1.2).

The rate of growth of final domestic demand also slowed in the second quarter, but still remained robust at a 3.4% annualized growth rate. Business fixed investment was once again the leading source of growth in domestic demand, with spending on machinery and equipment up strongly. The strength of investment in machinery and equipment was an important factor in the decline in Canada's trade balance in the second quarter, as imports of machinery and equipment increased 15.2%. Consumer spending rebounded in the second quarter, supported by large gains in disposable income in the first half of the year, as well as buyer rebate and incentive programs in the automobile sector early in the quarter. Residential investment, on the other hand, declined by 14.7%,

Chart 1.1

Change in Real GDP and Final Domestic Demand

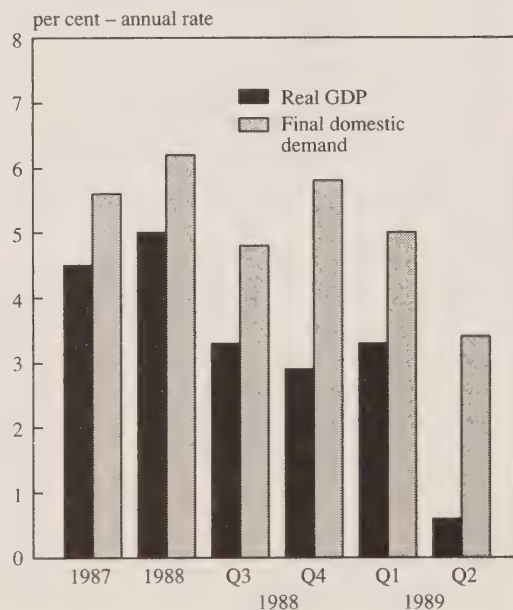


Chart 1.2

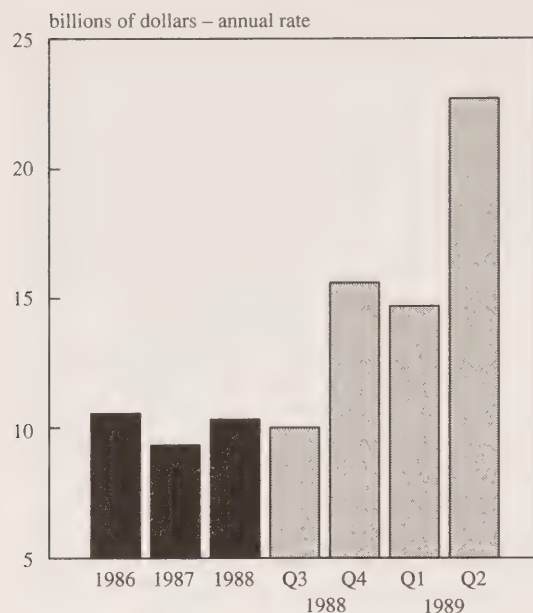
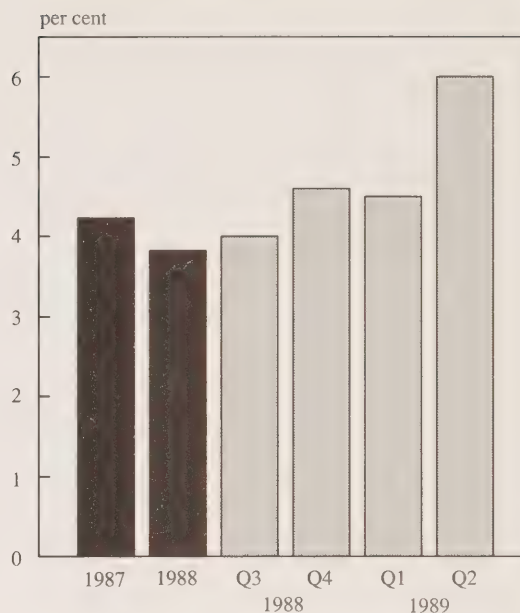
Current Account Deficit

Chart 1.3

Unit Labour Costs**Main Economic Indicators**

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1987	1988	1988		1989	
			Q3	Q4	Q1	Q2
Real gross domestic product	4.5	5.0	3.3	2.9	3.3	0.6
Final domestic demand	5.6	6.2	4.8	5.8	5.1	3.4
Consumption	4.9	4.3	5.0	5.8	1.5	5.3
Residential construction	16.4	4.6	0.5	11.9	18.8	-14.7
Business fixed investment	11.1	18.9	4.3	10.6	12.8	8.8
Non-residential construction	3.3	12.1	9.3	0.8	8.6	1.2
Machinery and equipment	16.6	23.1	1.6	16.4	15.2	13.1
Business inventory investment (\$b,a.r.)	0.9	-0.9	-1.0	0.0	1.8	4.7
Non-farm	1.5	1.7	1.3	0.3	1.5	2.7
Trade balance (\$b,a.r.)	11.5	6.9	6.8	2.0	-0.7	-6.3
Current account balance (\$b,current,a.r.)	-9.4	-10.3	-10.0	-15.6	-14.7	-22.7
Incomes						
Real personal disposable income	3.9	4.1	11.5	6.6	7.6	-2.9
Profits before taxes	24.5	10.7	10.3	-10.9	14.5	-22.4
Costs and prices (%Y/Y)						
GDP price deflator	4.4	4.1	4.2	4.3	5.1	5.6
Consumer price index	4.4	4.1	4.0	4.1	4.5	5.0
CPI – energy component	2.6	0.6	-0.7	-3.1	-1.1	2.5
CPI – excluding food and energy	4.6	4.8	4.6	5.0	5.3	5.4
Unit labour costs	4.2	3.8	4.0	4.6	4.5	6.0
Labour market						
Unemployment rate	8.8	7.8	7.8	7.7	7.6	7.6
Employment	2.9	3.2	1.3	1.9	3.7	0.4
Financial developments						
Exchange rate (end of period) (U.S.cents)	76.96	83.86	82.18	83.86	83.86	83.55
Prime interest rate (end of period)	9.75	12.25	11.75	12.25	13.50	13.50

Sources: Statistics Canada and the Bank of Canada.

as real estate commissions fell in response to weakening in the resale housing market in the second quarter. Both farm and non-farm business inventories were up in the second quarter, together adding 2.6 percentage points to the annualized growth rate of GDP.

Consumer Spending Rebounds in Second Quarter

After a modest 1.5% increase in the first quarter of 1989, growth in consumer spending rebounded to 5.3% in the second quarter. Solid gains in disposable income over the first half of 1989, due in part to larger than usual income tax refunds stemming from the 1988 income tax reform, underlay the strength in household spending. Strong automobile purchases reflected buyer rebate and incentive programs that were in effect early in the second quarter. More recent evidence points to a slowing in consumer spending in the second half of 1989. After some of the rebate and incentive programs lapsed, passenger car sales fell in May, June and July. A sharp drop in the Conference Board's Index of Consumer Attitudes in the second quarter suggests that spending on "big ticket" items will weaken.

Residential Investment Declines

Residential investment declined 14.7% at an annual rate in the second quarter as real estate commissions were down sharply from the first quarter, reflecting the marked deterioration in the resale housing market. The annualized rate of new housing starts declined from 226 thousand units in the first quarter to 208 thousand in the second. In the third quarter, starts have weakened further, to about 203 thousand on average in July and August.

Robust Investment Continues

Non-residential investment registered another strong gain in the second quarter, advancing 8.8% after a 12.8% increase in the first quarter. Machinery and equipment accounted for most of the second quarter increase, rising 13.1%. Investment prospects look strong for the remainder of the year. The mid-year survey of

Private and Public Investment Intentions published in July indicated that businesses have revised their investment intentions for 1989 upward since the start of the year. Businesses plan to increase spending by 13.6% in nominal terms according to the latest survey, compared with 10.6% in the previous survey, published in March. The confidence about economic prospects which is evident in this Statistics Canada survey contrasts with the decline in business confidence shown in the most recent Conference Board of Canada Index of Business confidence, even though the two surveys were carried out at the same time.

Trade Balance Deteriorates Sharply

Real net exports declined from a deficit of \$0.7 billion (1981 dollars) in the first quarter to a deficit of \$6.3 billion in the second. This decline was concentrated in merchandise trade, which fell from a surplus of almost \$5.5 billion (1981 dollars) in the first quarter to about \$0.5 billion in the second. A strong gain in imports of machinery and equipment underlay much of this deterioration. The impact of the strong dollar, however, is evident in the recent weak growth of Canada's exports. In total, real exports in the second quarter were down 1.5% compared with the second quarter of last year. Even abstracting the drought-depressed grain sector, exports were up only 1.4% over the same period. The current account deficit in the second quarter widened to a record \$22.7 billion from \$14.7 billion in the first quarter. As a share of GDP, the current account deficit was 3.5%, the highest level since the late 1950s.

National Labour Market Remains Tight

After sluggishness earlier in the year, employment growth rebounded over the May to August period, pushing the unemployment rate down to 7.4% in August. Other indicators also bolster the impression of a tight national labour market. The average work week has increased over the last two years; employment-population and help-wanted indexes are at historically high levels; and the number of discouraged job seekers is at a record low.

Inflation Rate Increases

The inflation rate moved up to 5.0% in May and to 5.4% in June and July, compared with 4.6% over the February to April period. Indirect tax increases implemented in the recent federal and provincial budgets contributed to the rise in May and June. The tightness in labour markets is evident in recent labour cost data. Unit labour costs in the second quarter were up 6.0% over the same period last year. The economy-wide wage rate was up by 6.8% on a year-over-year basis in the second quarter compared with a 6.2% increase in the first quarter. Wage increases reached in major collective agreements were also up substantially in the second quarter.

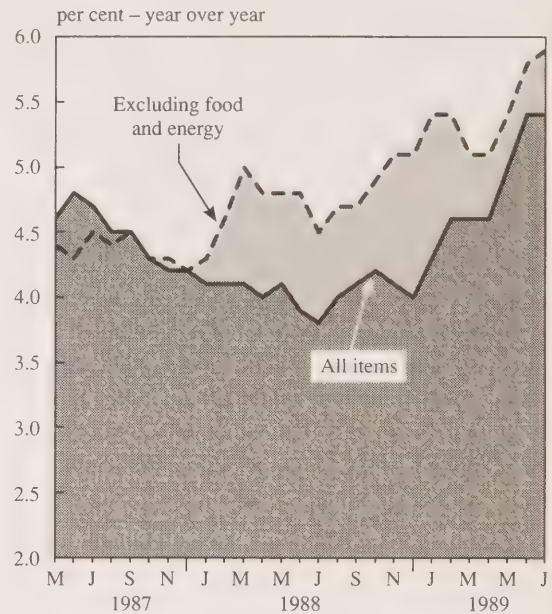
Interest Rates Remain Stable

Short-term interest rates in Canada have remained stable since March. U.S. rates, on the other hand, have continued to move down, and by the end of August, the differential between Canadian and U.S. short-term rates had widened to 334 basis points (90-day commercial paper). After moving down through February to June, long-term rates in

Canada have recently been stable. The Canadian dollar rose to over U.S. \$0.85 in early August, but fell back to just over U.S. \$0.84 by early September.

Chart 1.4

CPI Inflation

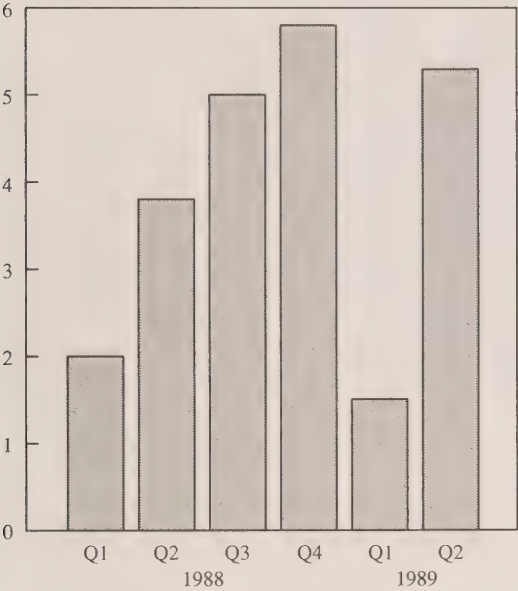


2. Personal Sector

Chart 2.1

Change in Real Consumer Spending

per cent – annual rate



Real consumer spending, after slowing noticeably in the first quarter of 1989, rebounded sharply in the second quarter, equalling the strong rates of growth achieved in the last half of 1988. The pattern was strongly influenced by spending on automobiles and clothing and footwear. Automobile spending, after falling in the first quarter, was bolstered by enhanced financing incentives and rebates in the second quarter. Since the expiry of many of these incentives in June, auto sales have decreased significantly. Clothing expenditures also appear to have been sensitive to price changes, with demand falling sharply in response to the strong increase in clothing costs in the first quarter, but rebounding in the second as increased discounting activity reduced clothing price inflation. The growth of other components of consumer spending has remained fairly stable over the past year.

Chart 2.2

Change in Real Consumer Spending by Category

per cent – annual rate

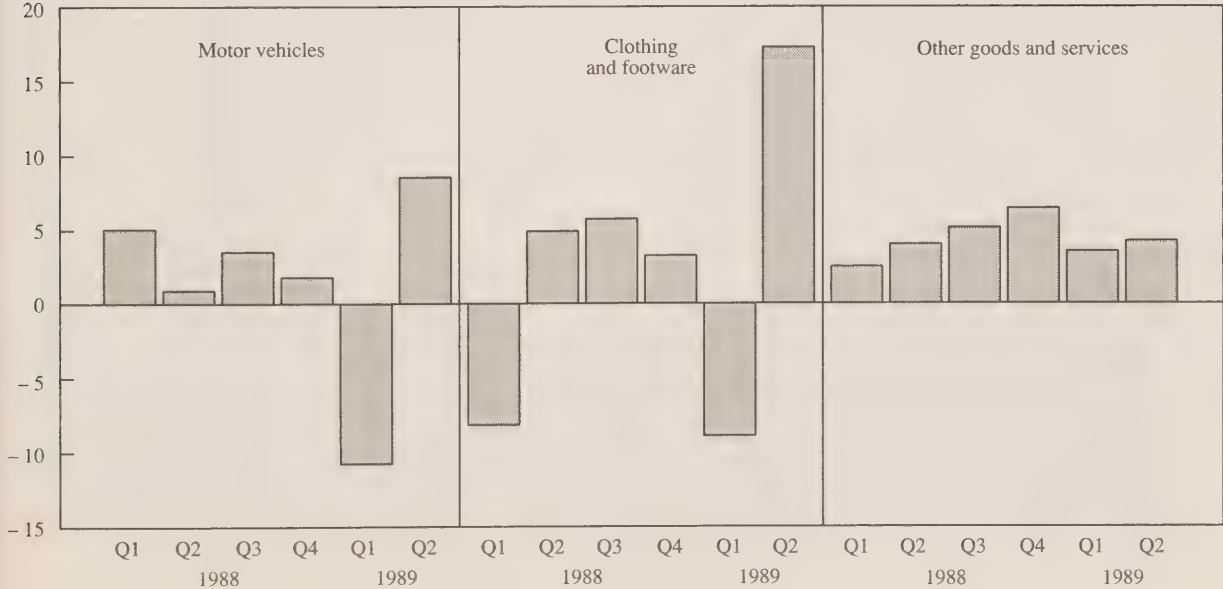
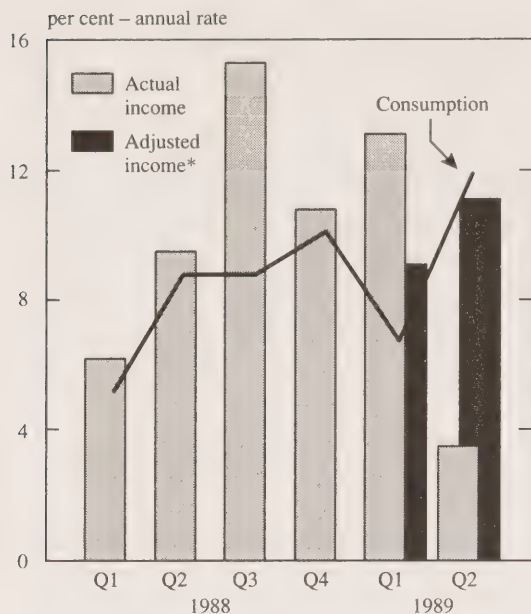


Chart 2.3

Change in Personal Disposable Income and Consumption



The rebound in consumer expenditure in the second quarter was supported by healthy growth in personal incomes and larger tax refunds under the 1988 income tax reform. The pattern of disposable income in the first two quarters of this year was distorted, however, by the atypical distribution of tax refunds between the first and second quarters. A larger than usual portion of tax refunds was allocated to the end of the first quarter. This money, however, was not in the hands of consumers until the second quarter. These changes increased measured disposable income in the first quarter and lowered it in the second. Adjusting disposable income for this atypical pattern puts the growth of disposable income in the second quarter more in line with the increase in consumer spending (Chart 2.3).

Personal income before taxes continued to grow at a strong pace (Chart 2.4). Despite a noticeable slowing in employment growth in the second quarter, labour income growth remained strong, mainly because of retroactive wage payments. Growth of other income in the second quarter was boosted by payments made to farmers under the Canadian Crop Drought Assistance Program.

Chart 2.4

Change in Personal Income by Category

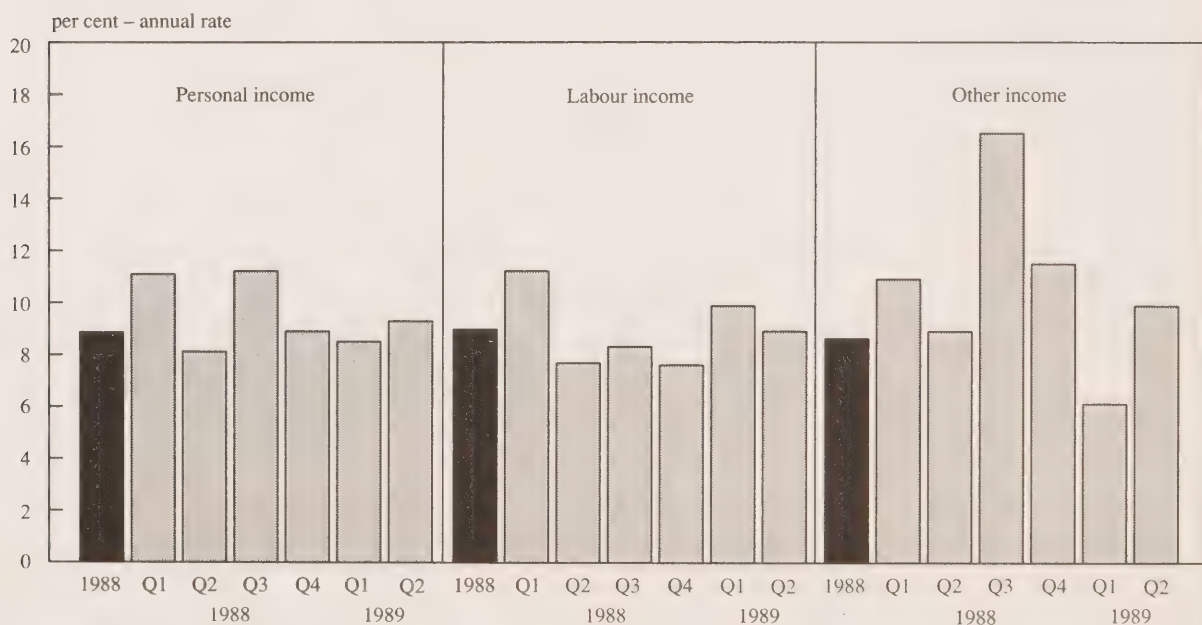
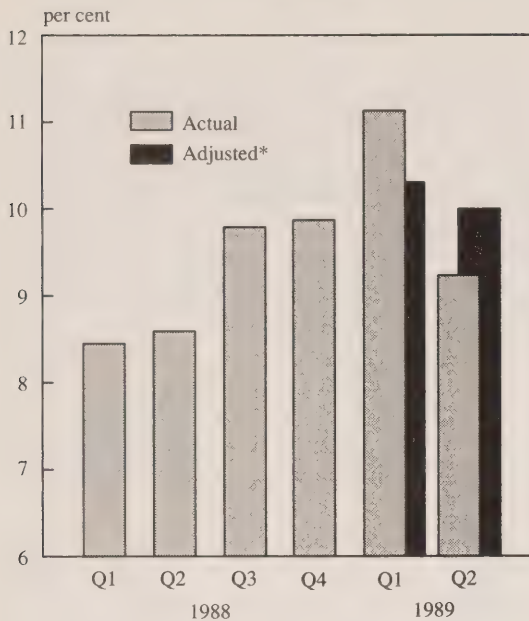


Chart 2.5

The Personal Savings Rate

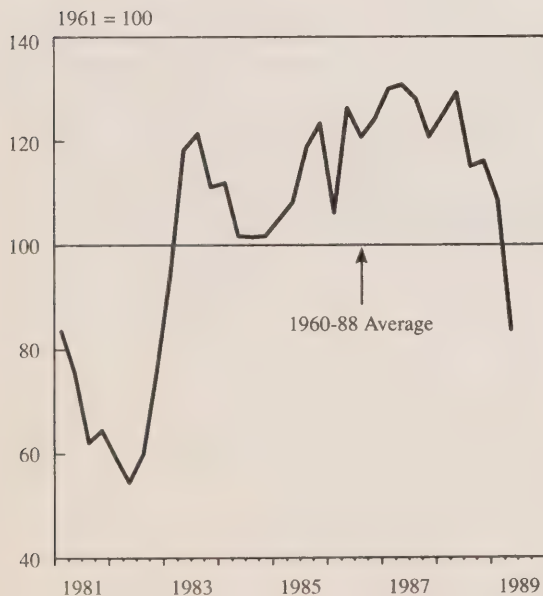


* Department of Finance estimates.

The sharp decline in the savings rate from 11.1% of disposable income in the first quarter to 9.2% in the second can also be largely accounted for by the atypical timing of income tax refunds. After adjustment for these technical changes, the savings rate would have remained at about 10% in both the first and second quarters of 1989. This would be consistent with the upward trend in the savings rate observed since the end of 1987.

Chart 2.6

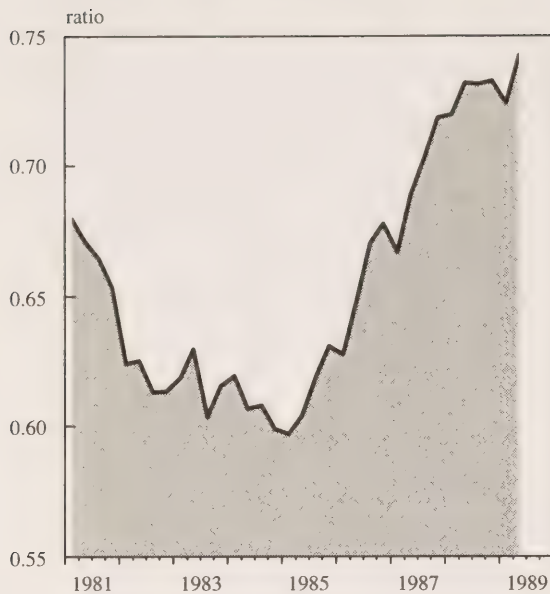
Conference Board's Index of Consumer Attitudes



The rise in the savings rate over the past year and a half is closely related to a decline in consumer confidence. High interest rates, slower employment growth earlier in the year and weakened household financial positions have combined to weaken consumers' confidence in their ability to maintain future spending plans. This has been reflected in a decline in the Conference Board's Index of Consumer Attitudes.

Chart 2.7

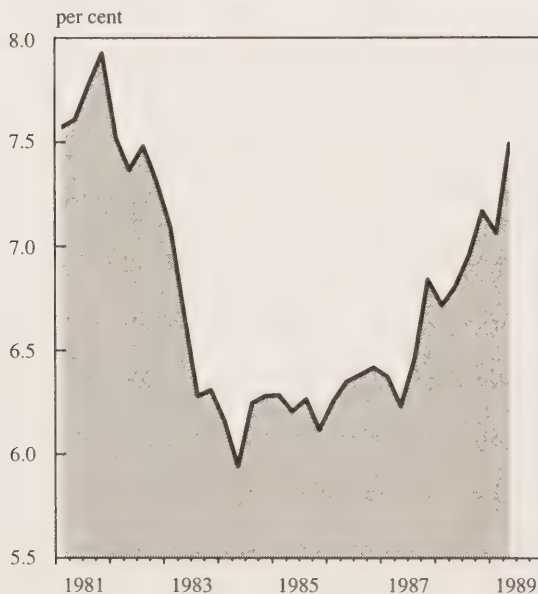
**Personal Debt Relative
to Disposable Income**



A deterioration of personal financial positions has been a major factor behind the decline in consumer confidence. Rapid growth of spending on durable goods and housing resulted in a rapid rise in personal debt during the recovery. By the end of 1987, the ratio of personal debt to disposable income surpassed its previous peak and has continued to rise since then.

Chart 2.8

**Personal Interest Costs
Relative to Disposable Income**



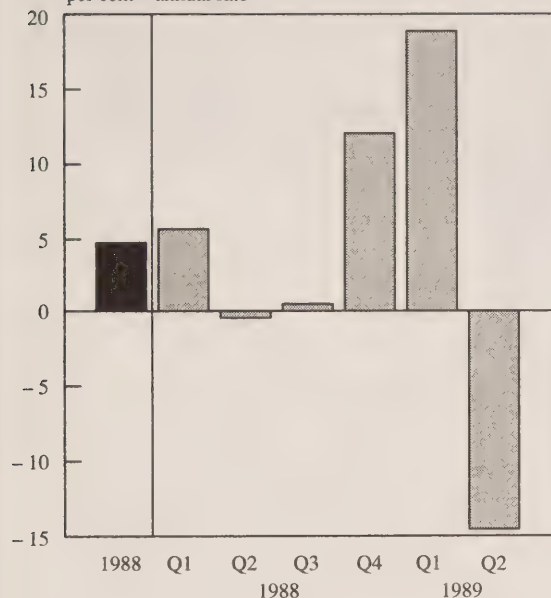
The rising level of personal debt and increases in interest rates over the past two years have resulted in a substantial rise in the share of income going to interest payments. The interest burden remains well below levels reached in the early 1980s, however, due to lower interest rates now than in the early 1980s.

3. Housing Sector

Chart 3.1

Change in Real Residential Investment

per cent – annual rate



Following sharp increases in the previous two quarters, real residential investment fell 14.7% at an annual rate in the second quarter. The downturn was largely due to a sharp decline in real estate commissions, as housing sales in the resale markets plummeted over 60% seasonally adjusted at an annual rate. The volume of new construction also declined slightly in the second quarter, reflecting a decline in housing starts. The only area of continuing strength was in alterations and improvements to existing houses.

Chart 3.2

Change in Real Residential Investment by Category

per cent – annual rate

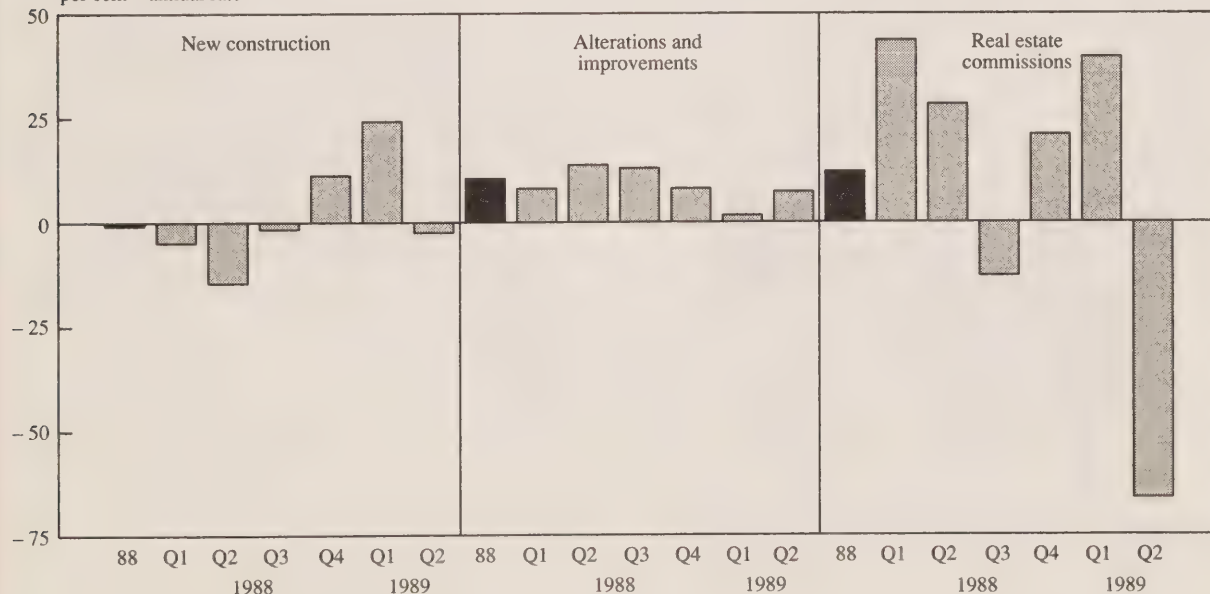
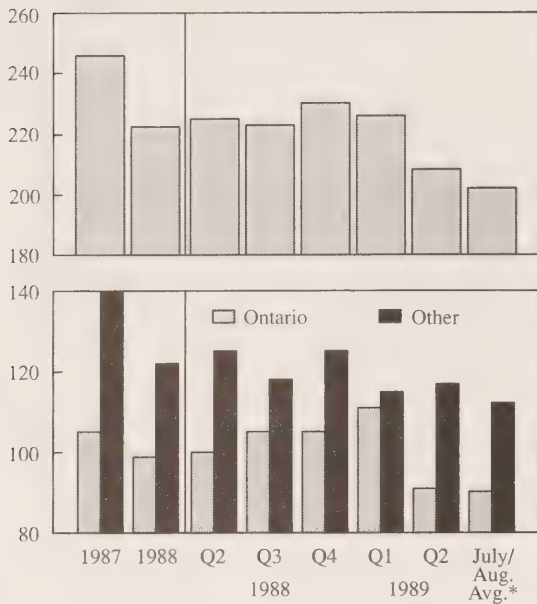


Chart 3.3

Housing Starts in Canada

thousands of units – annual rate



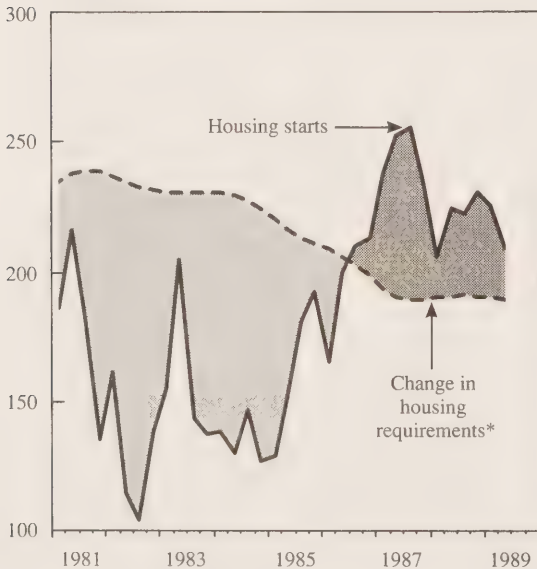
*Department of Finance estimates by province.

Housing starts fell 8% in the second quarter and a further 3% on average in July and August, with the decline occurring largely in Ontario. This was the first time housing starts in Ontario declined in over a year. Outside Ontario housing starts have remained fairly stable since the beginning of 1988. A gradual weakening in Quebec from record levels in 1987 has been offset by gains in British Columbia, where economic growth has been strong.

Chart 3.4

Housing Starts and Change in Housing Requirements

thousands

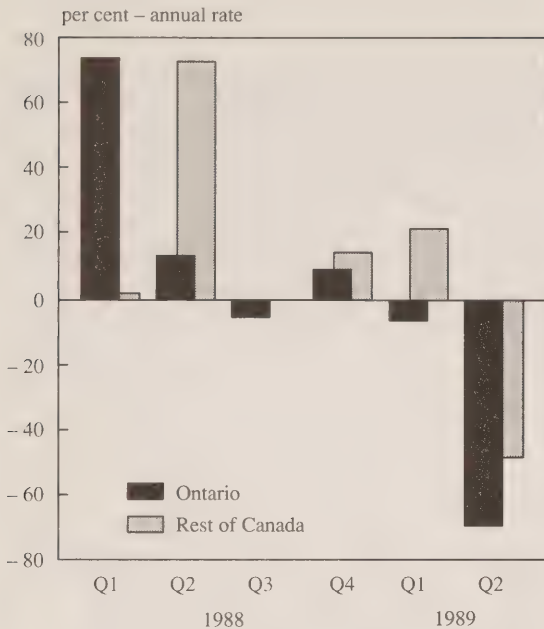


*Department of Finance estimates.

Even with the decline in the second quarter, housing starts have remained above estimates of household formation and housing demolition, which are the primary determinants of demand in the long run. This strong level of activity is being sustained by pent-up demand that built up earlier in the 1980s because of less favourable economic conditions. This pent-up demand has not yet been satisfied by the past three years of strong housing construction.

Chart 3.5

Change in Housing Sales*

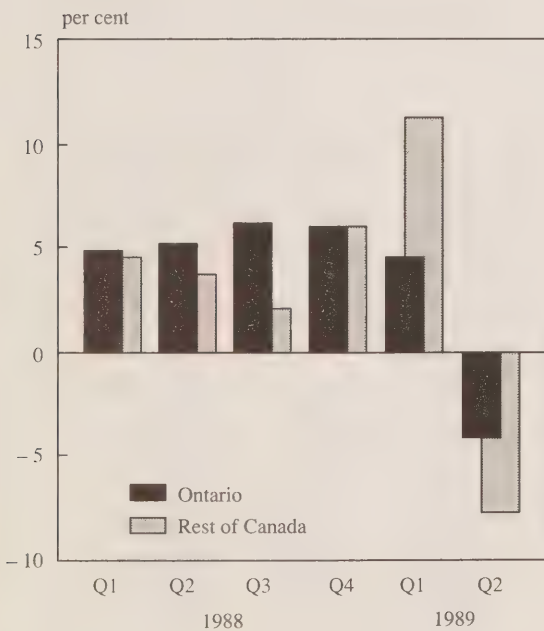


*Multiple Listing Service data seasonally adjusted by the Department of Finance.

The fall in housing demand in the second quarter was most apparent in the resale market for residential property. The number of homes sold in the quarter fell by over 60% at an annual rate – the largest decline in over six years. While Ontario led the decline, most areas of the country also experienced a significant decrease in the number of houses sold. A continued decline in housing sales in July suggests that housing demand is weakening further in the third quarter.

Chart 3.6

Change in the Average Selling Price of Houses*

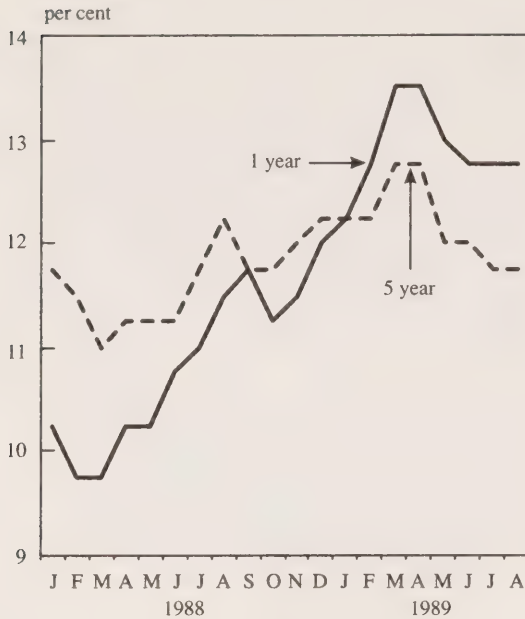


*Multiple Listing Service data seasonally adjusted by the Department of Finance.

Housing prices fell widely in the second quarter as a result of the sharp decline in demand. They fell for the first time in over six years in Ontario and in over four years in the rest of Canada. Outside Ontario, prices fell most in British Columbia, where there had been a strong surge in prices in the first quarter.

Chart 3.7

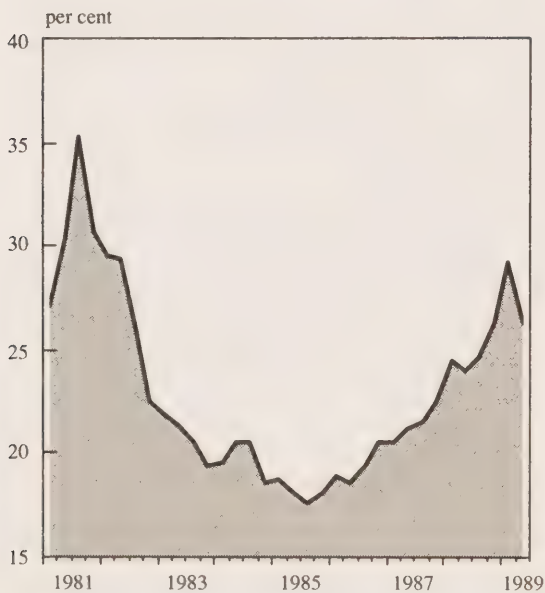
Mortgage Interest Rates



The steady rise in mortgage rates to a peak in April of this year played a major role in the recent decline in housing demand by decreasing the affordability of owning a house. Since April, however, one-year mortgage rates have fallen 75 basis points and five-year rates 100 points to their lowest levels in nine months, reflecting the general decline in medium-term to long-term interest rates over the past four months.

Chart 3.8

Housing Affordability (Mortgage Cost Relative to Disposable Income)



In the second quarter, the sharp declines in housing prices, the levelling off of mortgage rates and further growth in disposable income all helped to make houses more affordable after a significant deterioration in the previous three years.

4. Business Non-Residential Investment

Chart 4.1

Change in Real Business Fixed Investment

per cent – annual rate

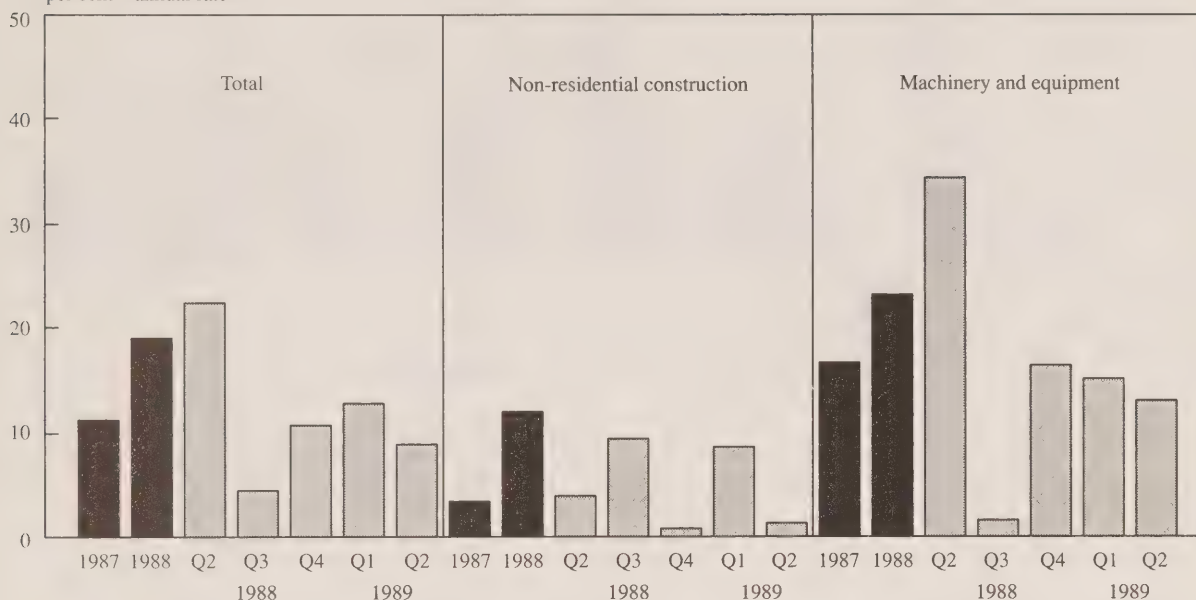
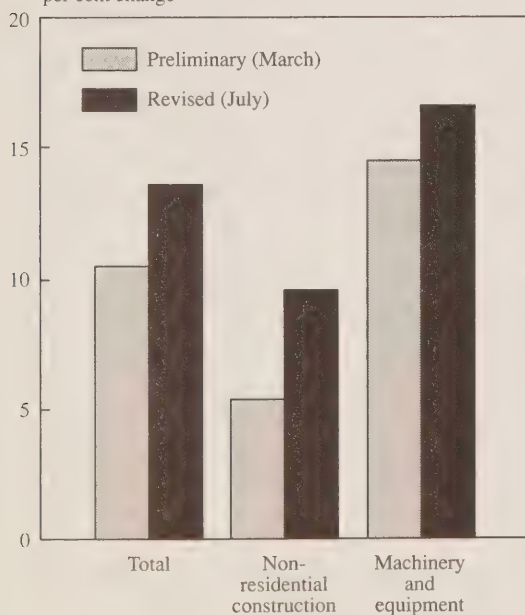


Chart 4.2

Nominal Business Non-Residential Investment Intentions (PPI) for 1989

per cent change



Real business fixed capital formation remained strong in the second quarter, and continues to be one of the most rapidly growing sectors of the economy (Chart 4.1). Second-quarter investment growth was led by spending on machinery and equipment as many industries continued to modernize and upgrade production facilities.

Although a recent Conference Board survey shows declining business confidence about upcoming economic prospects (which is not inconsistent with the length of the current expansion), investment should continue to grow strongly in 1989. The upward revisions to the larger Private and Public Investment Intentions investment survey – taken at the same time as the Conference Board Survey – reveals that investment plans for 1989 have firmed (Chart 4.2).

Chart 4.3

Nominal Business Non-Residential Investment, by Sector PPI Revised Intentions for 1989

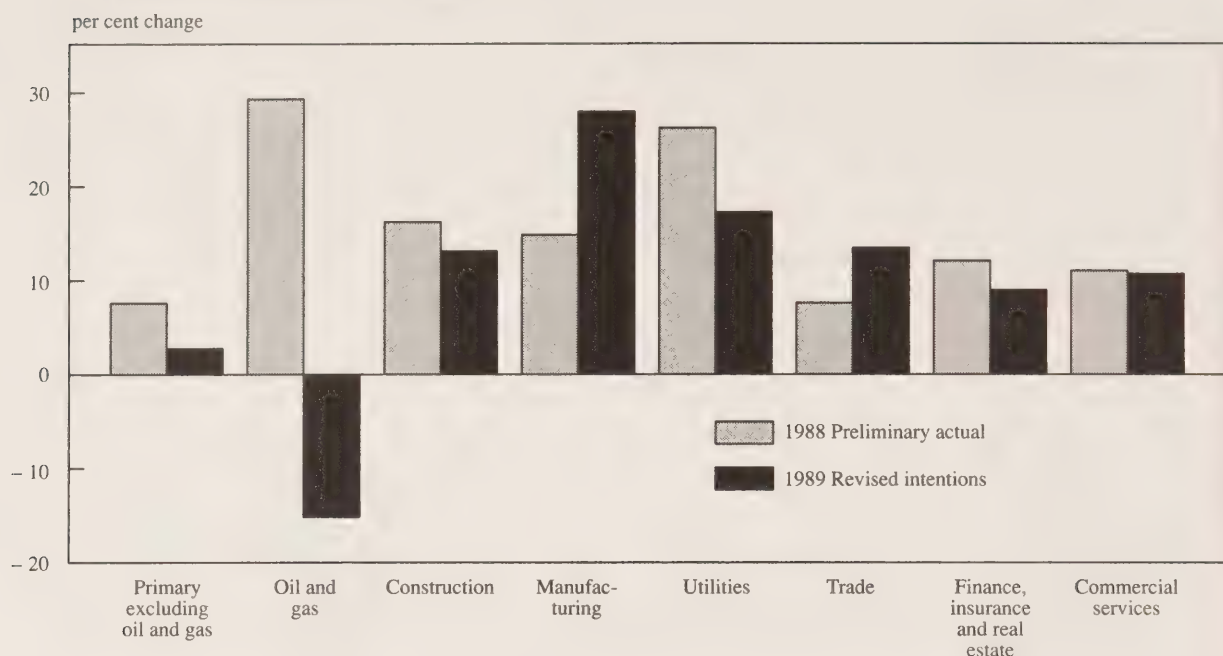
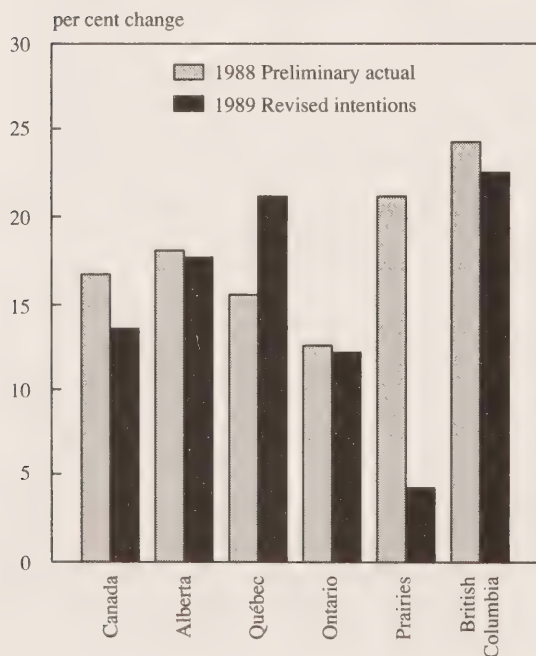


Chart 4.4

Nominal Business Non-Residential Investment, by Region PPI Revised Intentions for 1989



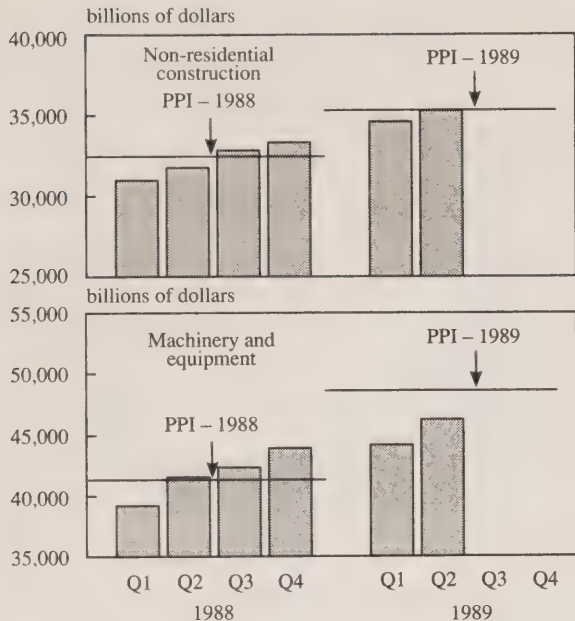
Sectorally, all industries, with the notable exception of mining, are expected to expand their capital stock in 1989, and most have revised upward their preliminary spending intentions for the year. The manufacturing sector is expected to lead investment spending, nearly doubling the increase in 1988 (Chart 4.3). Manufacturing investment will be predominantly in the paper products, primary metals, non-metallic mineral products and chemical industries.

The downturn in mining investment follows strong expansion in 1988, and will be led by a sharp decline in oil and gas investment. This reflects low levels of exploration to date in 1989 (down 40% through the first half compared with the same period last year). The metal mining industry also expects a modest decline in capital spending this year.

Capital spending plans for 1989 are strong in all regions except in the Prairies (Chart 4.4).

Chart 4.5

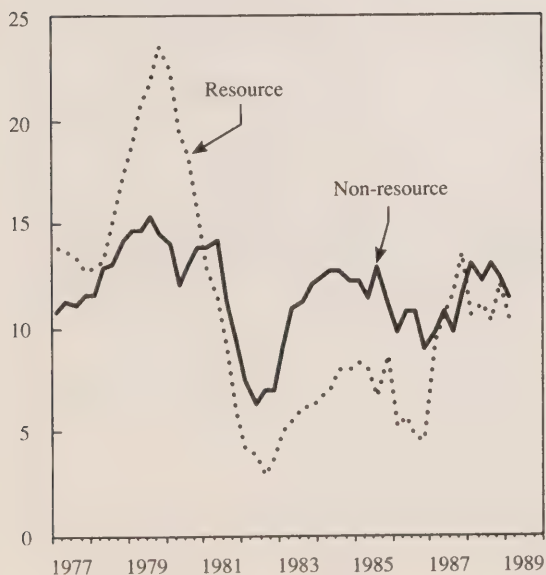
Nominal Business Investment and the Revised 1989 PPI Intentions



Given investment growth in the first half of 1989, the realization of the revised PPI intentions would imply quarterly nominal investment growth during the balance of this year at an annual rate of about 14 1/2% (and correspondingly strong real growth). By investment type, capital spending on machinery and equipment will need to remain strong through the balance of the year to meet the 1989 average intentions. By contrast, slight nominal investment growth in non-residential construction (and virtually no real growth) would be required to realize average intended spending levels for 1989.

Chart 4.6

Return on Equity Large Industrial Corporations



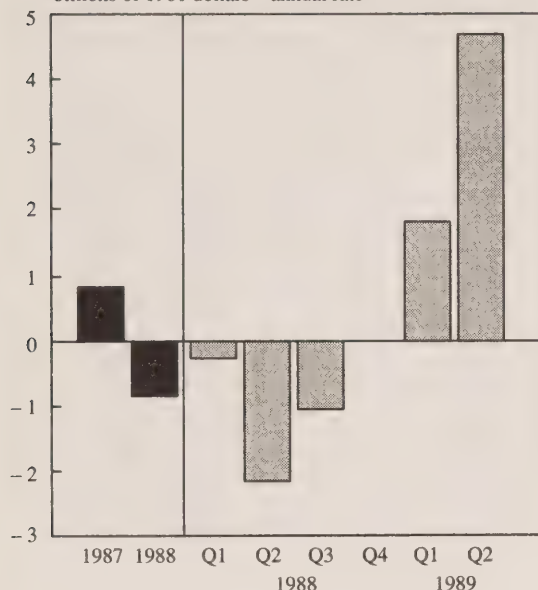
Strong corporate financial performance has been one of the underpinnings of the surge in investment activity despite continued high interest rates. Although corporate profitability (measured as return on equity) has weakened somewhat in recent quarters, it remains high relative to post-recession levels – particularly among non-resource-oriented manufacturers. This has provided the means of financing a large amount of the new capital.

5. Business Inventories

Chart 5.1

Real Business Inventory Investment

billions of 1981 dollars – annual rate



The rate of business inventory accumulation continued to rise in the second quarter, contributing 2.6 percentage points to GDP growth (at annual rates). More than half of this increase resulted from a rise in grain inventory holdings (Chart 5.2), reflecting the assumed return to normal crop yields in 1989. The rise in non-farm inventory investment in the second quarter was dominated by large accumulations of wholesale and retail trade inventories. This build-up was largely concentrated in non-durable goods, although inventory holdings of non-auto consumer durables also increased in the quarter. Auto inventories were sharply reduced, a reflection of strong sales growth early in the quarter. Inventory holdings at the manufacturing level were also significantly reduced in the second quarter, in large part due to inventory reductions of capital equipment and motor vehicles and parts.

Chart 5.2

Components of Real Business Inventory Investment

billions of 1981 dollars – annual rate

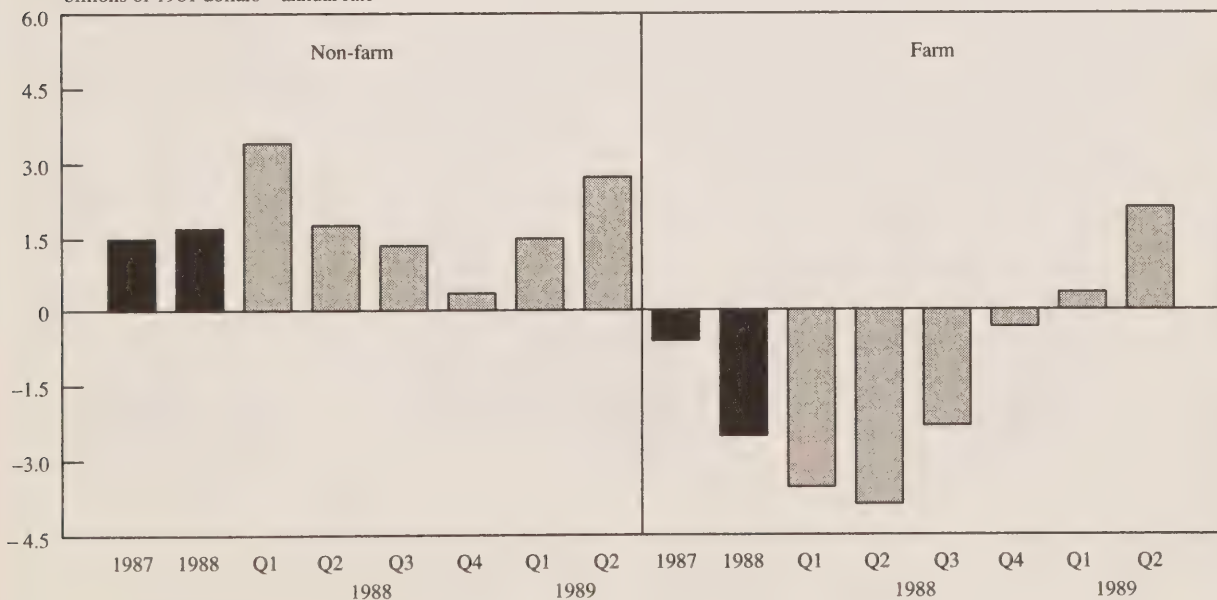
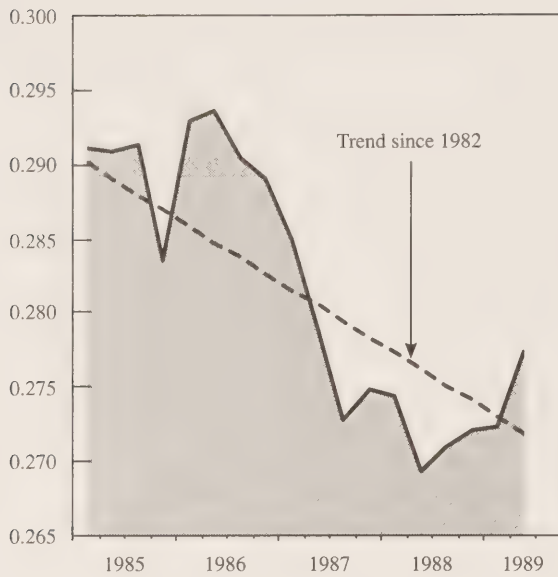


Chart 5.3

Non-Farm Business Inventory-to-Sales Ratio



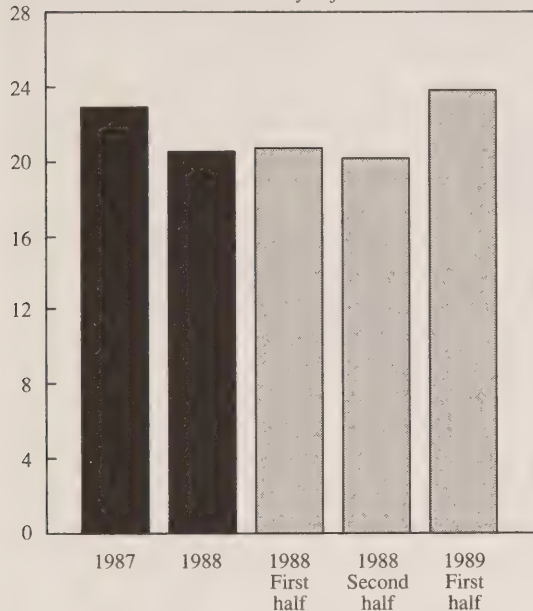
The rise in non-farm inventory accumulation in conditions of slowing domestic demand growth in the second quarter pushed the stock-to-sales position of businesses above the post-recession trend level for the first time since mid-1987. Although inventory holdings relative to sales have steadily risen during the past year, they remain only slightly above post-recession trend levels.

6. Government Sector

Chart 6.1

Federal Deficit (CIEA Basis)

billions of dollars – seasonally adjusted at annual rates



In the first half of 1989, the federal deficit on a Canadian Income and Expenditure Accounts basis (CIEA) increased by \$3.6 billion from the second half of 1988 to reach \$23.8 billion at an annual rate (Chart 6.1). Year-over-year the deficit was \$3.1 billion higher.

In the first half of 1989, revenues were 5.5% above their year-earlier level (Chart 6.2). Indirect tax revenues were up substantially, due in part to changes made to tax rates in the April 1989 budget. Personal direct taxes increased a modest 1.8% as one component, employer/employee unemployment insurance contributions, declined as a result of the lowering of contribution rates effective January 1989. Personal income taxes declined in the first quarter of 1989, but grew rapidly in the second quarter. This movement reflected the larger percentage of tax refunds made in the first quarter of this year compared with 1988 and a large positive prior-year adjustment to tax collections in the second quarter. Expenditures rose 7.0% as debt interest rose 18.3% due largely to higher interest rates but also reflecting increasing debt. Expenditure on programs, that is expenditure excluding debt service changes, rose a modest 3.4%.

Chart 6.2

Change in Federal Government Revenues and Expenditures in the First Half of 1989 (CIEA Basis)

per cent – year over year

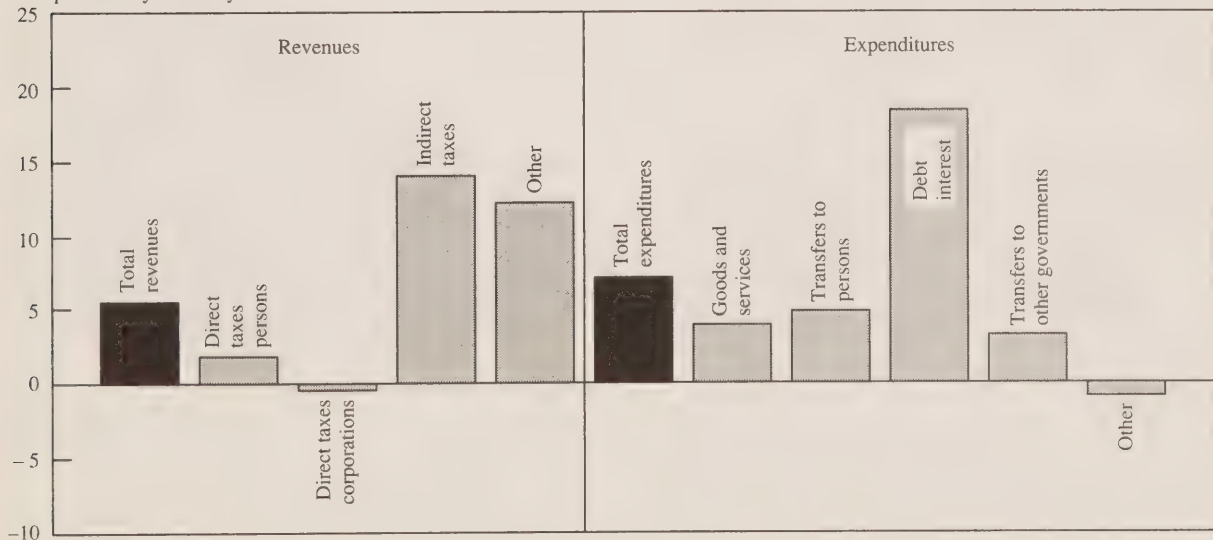
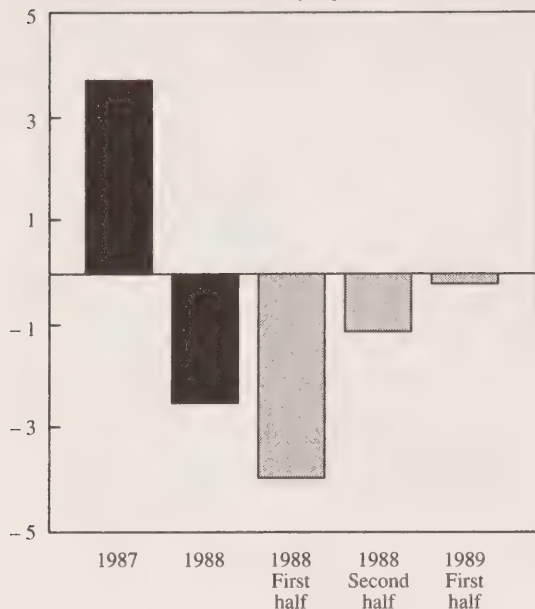


Chart 6.3

Provincial-Local Governments and Hospitals Deficit (CIEA Basis)

billions of dollars – seasonally adjusted at annual rates



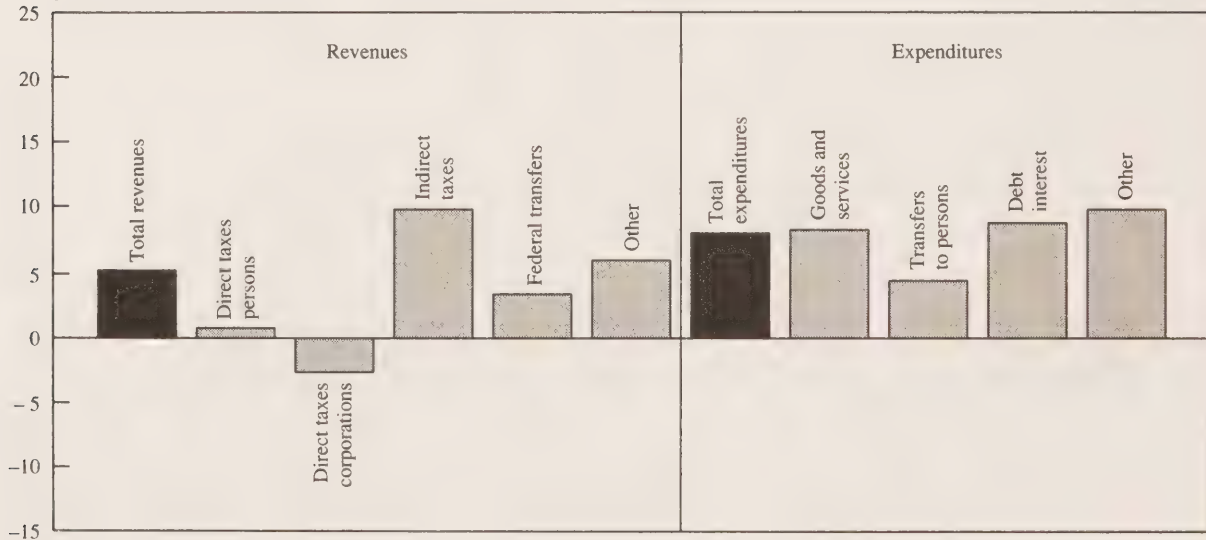
The consolidated budget for the provincial-local-hospital sector was virtually in balance in the first half of 1989, compared with a \$1.1 billion surplus in the second half of 1988 (Chart 6.3). The reduction in the surplus generally reflected a slowing of revenue growth, particularly personal and corporate direct taxes at the provincial level, while expenditure continued to show modest growth.

In the first half of 1989, revenues grew by 5.3% (year over year), and expenditures by 8.0% (Chart 6.4). Indirect taxes rose strongly (10.0%) but this strength was offset by weakness in personal direct taxes (up 0.9%) and corporate direct taxes (down 2.6%). Expenditure growth was led by interest on public debt, which rose 8.9% due to interest rate increases in the second half of 1988 and in 1989. Expenditures on goods and services also grew strongly at 8.4%.

Chart 6.4

Change in Provincial-Local Governments and Hospitals Revenues and Expenditures in First Half of 1988 (CIEA Basis)

per cent – year over year



7. Foreign Trade

Chart 7.1

Current Account Balance by Component

billions of dollars – annual rate

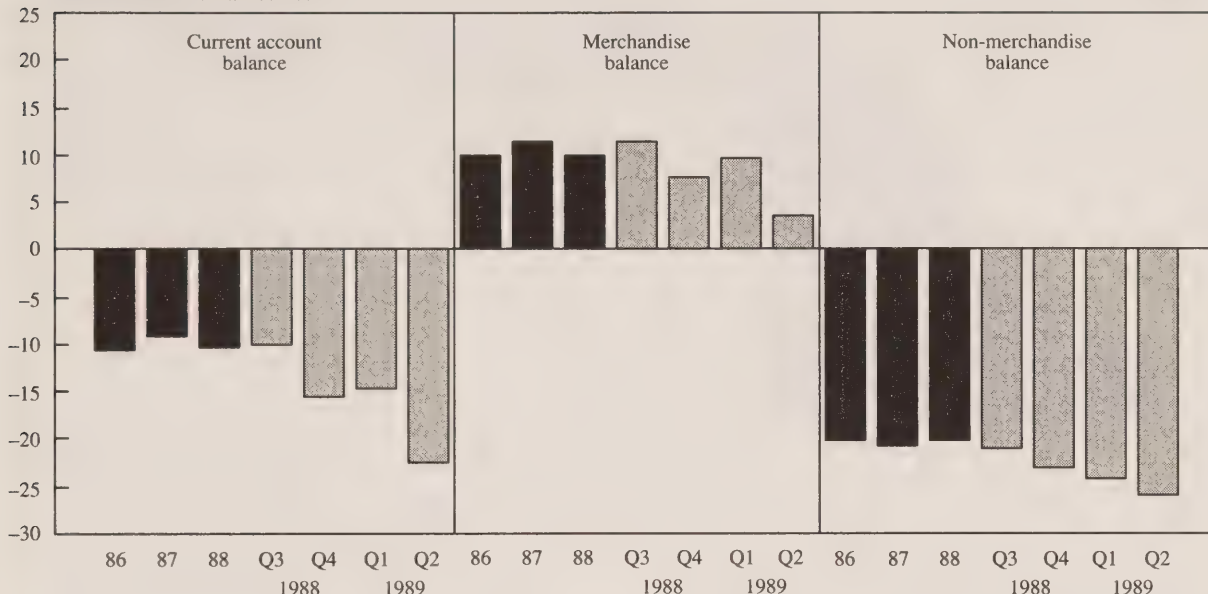
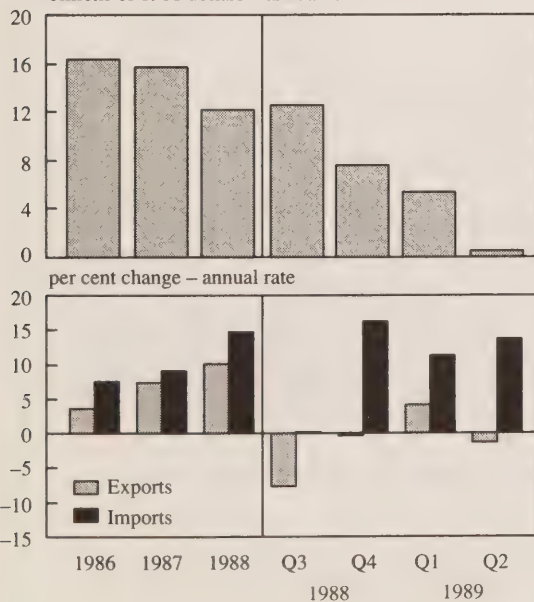


Chart 7.2

Real Merchandise Trade

billions of 1981 dollars – annual rate



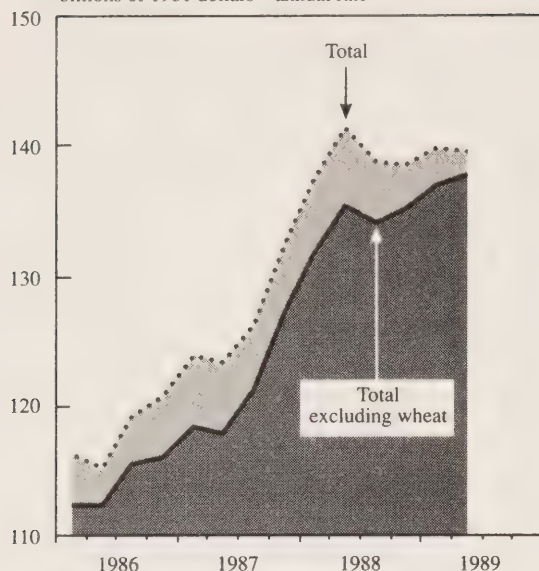
The current account deficit rose to a record \$22.7 billion in the second quarter (Chart 7.1), as both the merchandise and non-merchandise balances worsened. As a share of GDP, the current account deficit was 3.5%, its worst level since the late 1950s. The merchandise surplus declined to \$3.5 billion, its lowest level since the end of 1978. A decline in the terms of trade, due partly to falling world commodity prices, contributed to the deterioration in the merchandise trade balance.

The real merchandise trade balance declined \$4.9 billion to \$0.5 billion in the second quarter, its lowest level in over 30 years, as real exports fell and imports increased sharply (Chart 7.2). This reduced real GDP growth by about 4 1/2 percentage points (annual rate), offsetting continued strong growth in final domestic demand. Once again, imports of machinery and equipment were strong, reflecting robust domestic spending on investment goods. Machinery and equipment imports alone accounted for over 40% of the increase in total merchandise imports in the second quarter.

Chart 7.3

Real Merchandise Exports

billions of 1981 dollars – annual rate

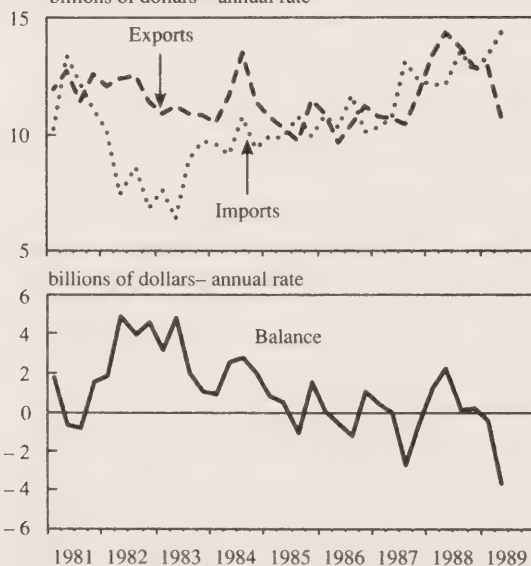


Exports in the past year have been virtually stagnant, reflecting slower foreign final domestic demand growth, the increase in the value of the Canadian dollar, and the high degree of capacity utilization in some export industries. An additional major factor in the weakness in exports has been the sharp drop in wheat exports in the last year, owing to the impact of the 1988 drought. This negative effect will continue to be felt until later this year or early 1990 when the 1989 grain crop is available for export.

Chart 7.4

Merchandise Trade with Non-OECD Countries

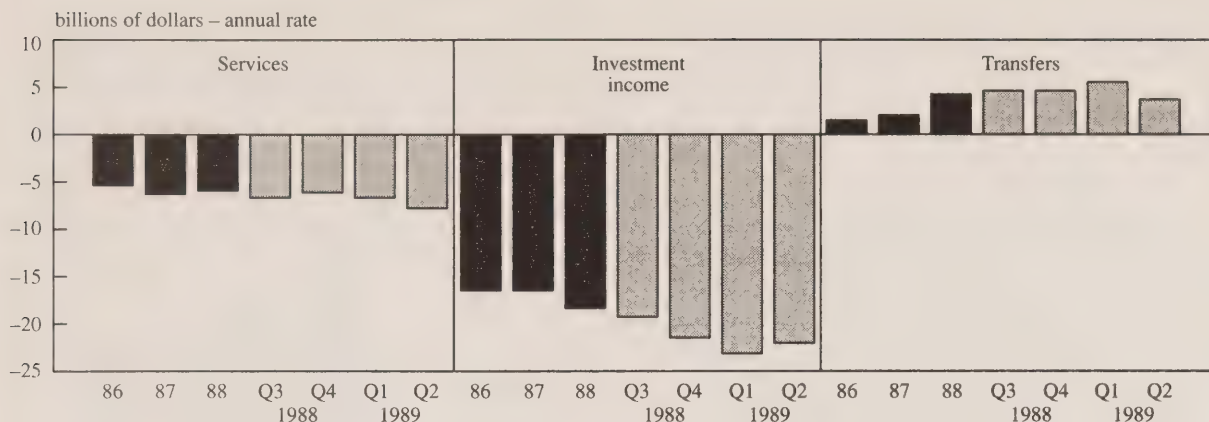
billions of dollars – annual rate



Of the \$6.0 billion deterioration in the nominal merchandise trade surplus in the second quarter, about half can be traced to a deterioration in the trade balance with non-OECD countries. Indeed, about 65% of the deterioration in the trade balance in the last year has come from a deteriorating trade position with these countries, continuing a trend that began in the early 1980s. Debt problems in some of these countries have constrained their imports from industrial countries, including Canada. Recent declines have also been due in part to reduced grain production in Canada. Imports from these countries, on the other hand, have shown an upward trend since 1983.

Chart 7.5

Non-Merchandise Trade Balance by Component



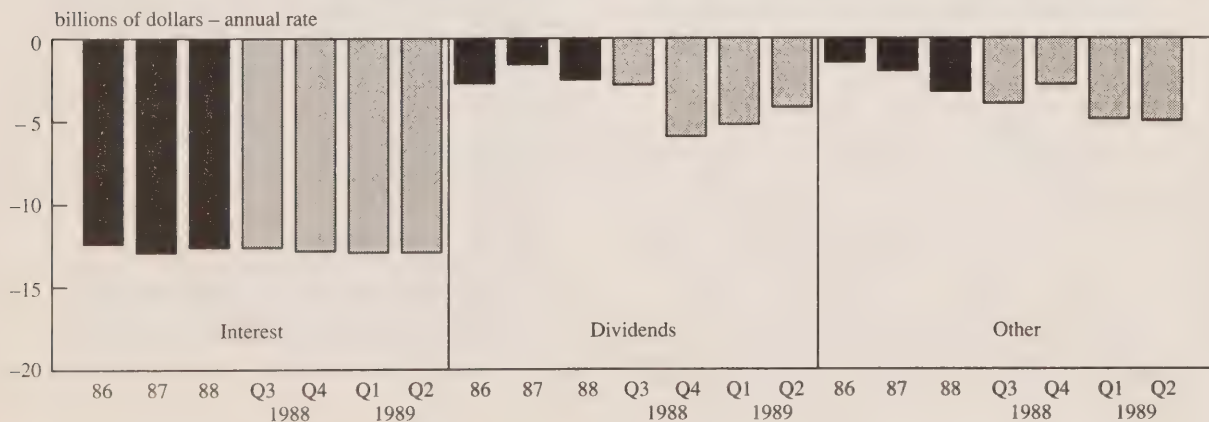
The non-merchandise transactions balance worsened in the second quarter, as significant deteriorations in the balances on services and transfers overwhelmed an improvement in the balance on investment income (Chart 7.5). The worsening in the services balances can be traced to deteriorations in the balances for travel and for freight and shipping. The balance on transfers declined in the second quarter, as funds flowing into Canada from Hong Kong dropped from an unusually high level in the first quarter.

The improved balance of investment income reflects an improvement in the balance of

dividend payments (Chart 7.6). Receipts and payments of dividends have fluctuated significantly in recent years, due in part to special dividend payments some corporations have made in an effort to alter their cash positions and thus their attractiveness as takeover targets. Net dividend payments are tending to move back to normal levels as such activity diminishes and as profit growth declines from the high levels of the last two years. The improvement in the balance of dividends more than offset the modest deteriorations in the balances of the other two components of investment income.

Chart 7.6

International Investment Income Balance by Component

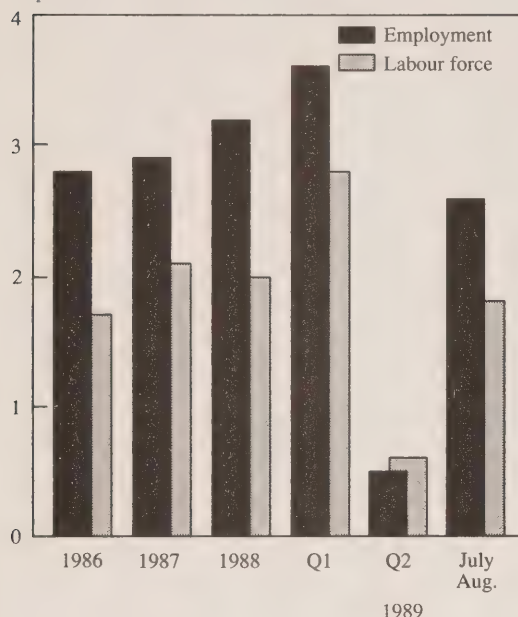


8. The Labour Market

Chart 8.1

Growth in Labour Force and Employment

per cent – annual rate

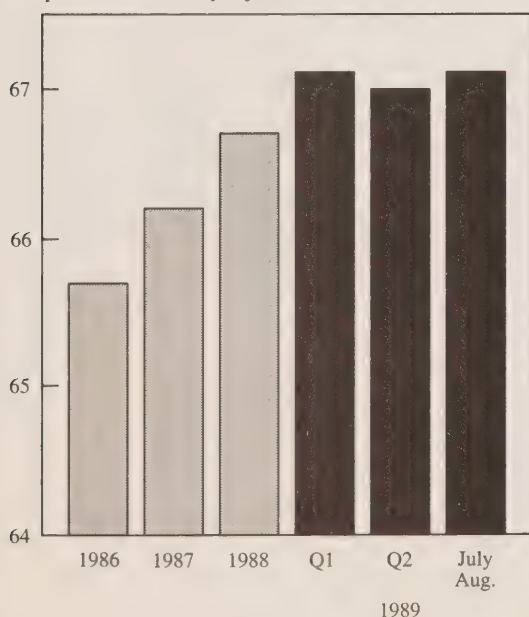


Employment growth, after slowing to its lowest rate in nearly three years during the second quarter, rebounded strongly from May on. However, growth in the third quarter remained below the average levels in previous years. The labour force has followed a similar, but slightly lower pattern of growth rates in 1989. As a result, the unemployment rate, which had fallen substantially in previous years, has remained largely unchanged at about 7.5% in 1989.

Chart 8.2

Participation Rate

per cent – seasonally adjusted

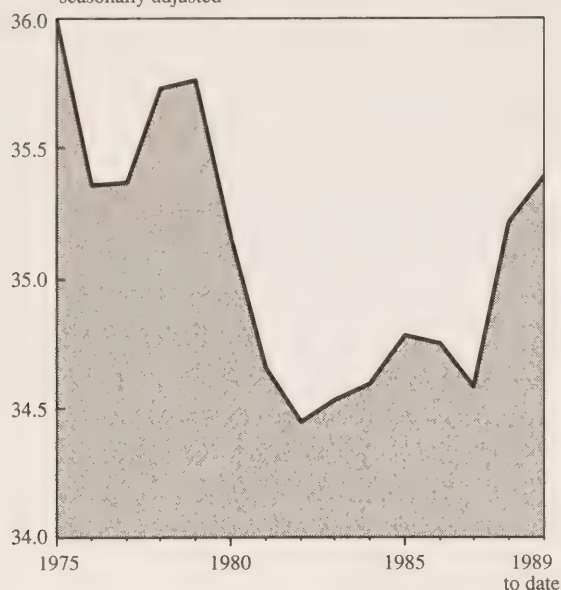


The easing of labour force growth since early 1989 reflects a levelling off in the participation rate, after six years of strong annual rises. This can be traced to a levelling off in the adult women's participation rate and the youth participation rates, after rising steadily in the expansion to record levels.

Chart 8.3

Average Weekly Hours Worked

seasonally adjusted

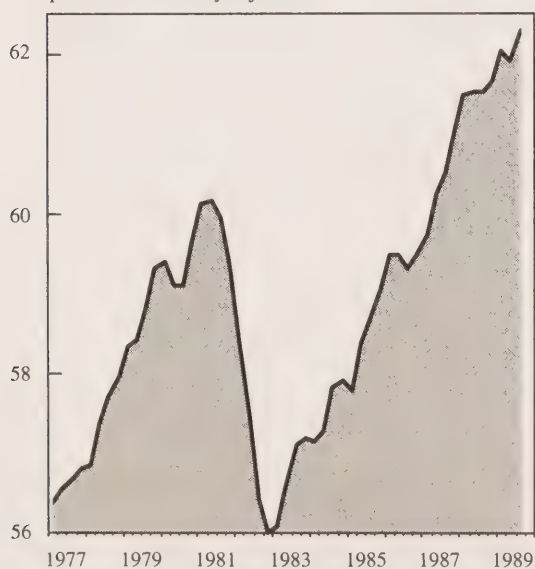


Offsetting the slower growth in the labour force have been longer average work weeks in 1988 and 1989. This has occurred among both full-time and part-time workers, as well as across most regions.

Chart 8.4

Employment/Population Ratio

per cent – seasonally adjusted

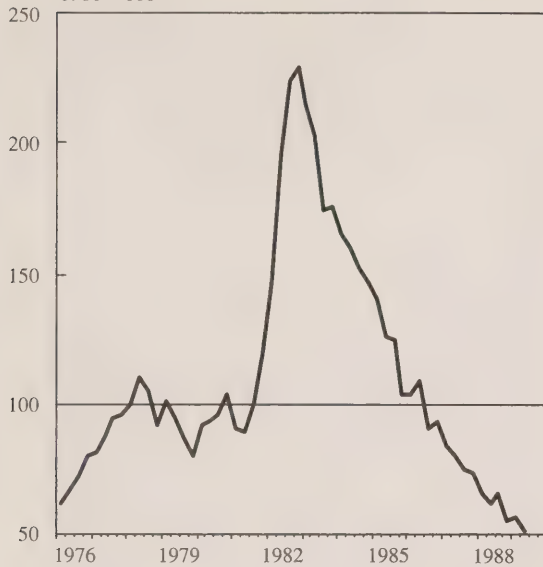


The ability of employers to attract new workers has also been limited because a high proportion of the population is already working. The employment-to-population ratio has been at record levels since the second quarter of 1987.

Chart 8.5

Discouraged Job-Seekers Relative to Labour Force

1981 = 100

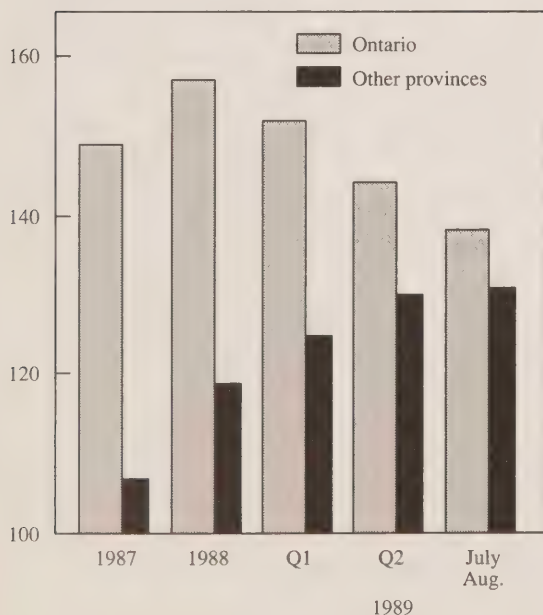


The unemployment rate is not the only indicator of unused labour supply. At any time, workers who have become discouraged may leave the labour force because they believe no work is available. The number of these discouraged job-seekers, as reported in the Labour Force Survey, continues to fall. As a result, the number of discouraged job-seekers now stands at a record low level in relation to total labour force.

Chart 8.6

Help Wanted Indexes Relative to Labour Force

1981 = 100



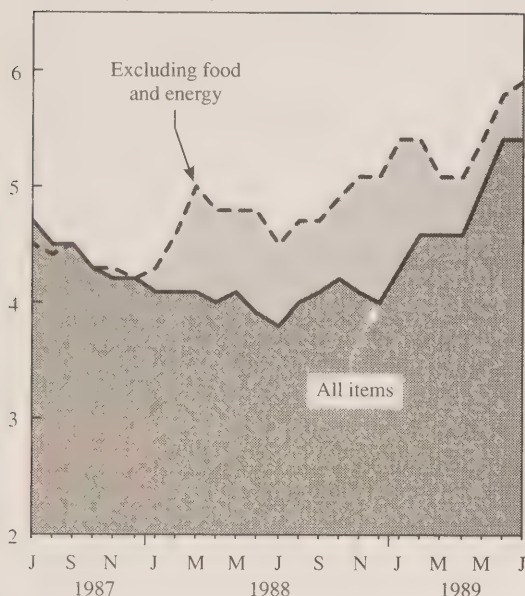
At the same time, evidence of unfilled labour demand remains. Despite declining for the first time in six years during 1989, the Ontario Help-Wanted Index relative to labour force remains at 140 – well above its historical average of about 95. On the other hand, markets outside Ontario continue to tighten, with the Help-Wanted Index relative to labour force approaching Ontario's high level.

9. Price and Wage Sector

Chart 9.1

CPI Inflation

per cent – year over year

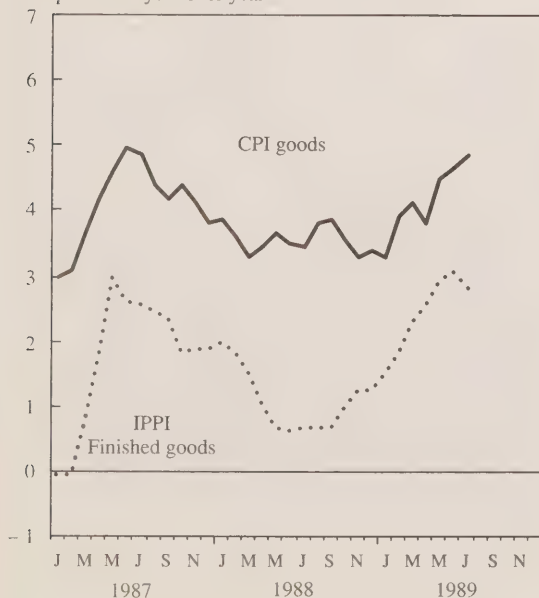


The year-over-year CPI inflation rate remained at 5.4% in July, after having increased by 0.4 percentage points in both May and June (due in part to federal and provincial indirect tax increases). The underlying rate of inflation (CPI excluding food and energy) increased marginally to 5.9% in July from 5.8% in June.

Chart 9.2

CPI-Goods versus IPPI-Finished Goods

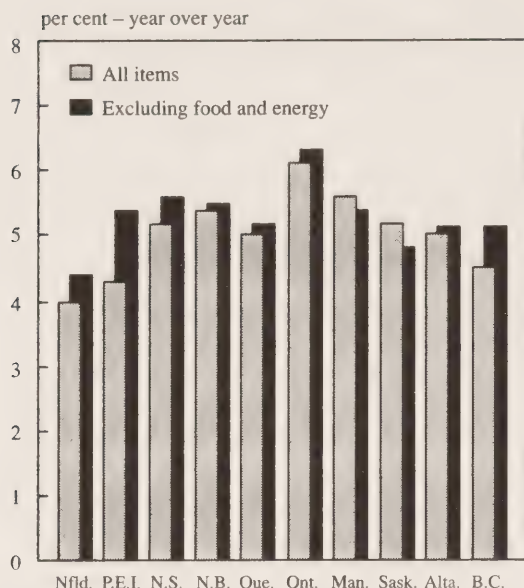
per cent – year over year



The year-over-year change in the Industrial Product Price Index (IPPI) has declined in recent months due to easing in raw materials and intermediate goods prices (chiefly declines in non-ferrous metals prices). This, however, does not imply a significant easing in consumer prices since a large share of this production is exported. Changes in finished goods producer prices, which are more closely correlated with changes in CPI goods prices, have generally been increasing since mid-1988, although they eased slightly in July.

Chart 9.3

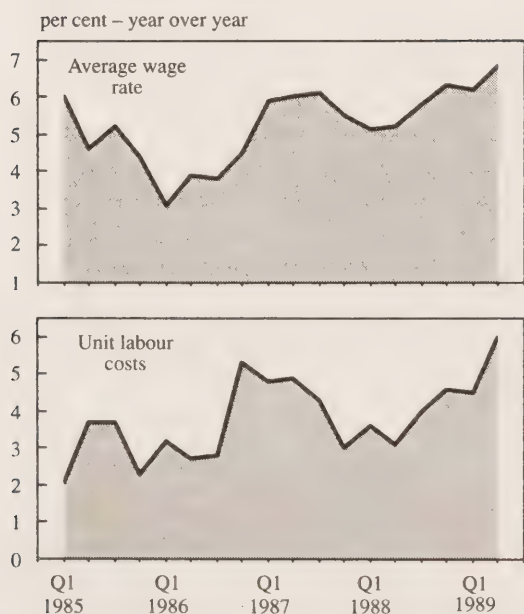
CPI By Province – July 1989



Inflation rates are now more similar across the provinces than they were at the beginning of the year. The rise in the year-over-year CPI inflation rate was widespread among provinces in July, with all-items rates ranging from 4.0% in Newfoundland to 6.1% in Ontario. The underlying inflation rate (excluding food and energy) is 5% or higher in all provinces except Newfoundland and Saskatchewan.

Chart 9.4

Average Wage Rate and Unit Labour Cost

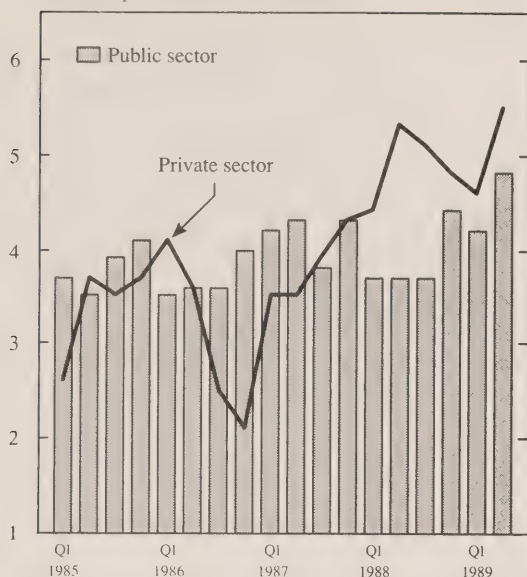


Rising wage costs now constitute a key risk to an improvement in underlying inflation. The average economy-wide wage rate (labour income per employee) in the second quarter increased at an annual rate of 8.3% from the previous quarter, or 6.8% on a year-over-year basis, a pace notably stronger than that recorded in the past year, and significantly higher than the post-recession average of 5%. In the face of sluggish productivity growth, unit labour costs increased sharply by 6.0% (year over year) in the second quarter, compared with 4.5% in the first quarter and 3.8% in all of 1988.

Chart 9.5

Wage Settlements

effective per cent increase in base rate

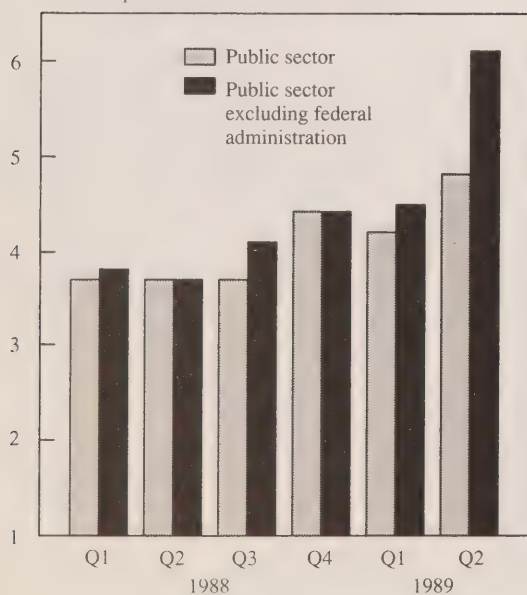


Further, continuing escalation in wage settlements threatens to prolong the upward trend in wage costs. Private sector wage settlements rose 5.5% in the second quarter, after having eased from the 5% range in early 1988. Public sector settlements have also accelerated in recent quarters, some as high as 11%. Public sector settlements increased to 4.8% in the second quarter from 4.2% in the first quarter and 3.9% in 1988 as a whole.

Chart 9.6

Public Sector Wage Settlements

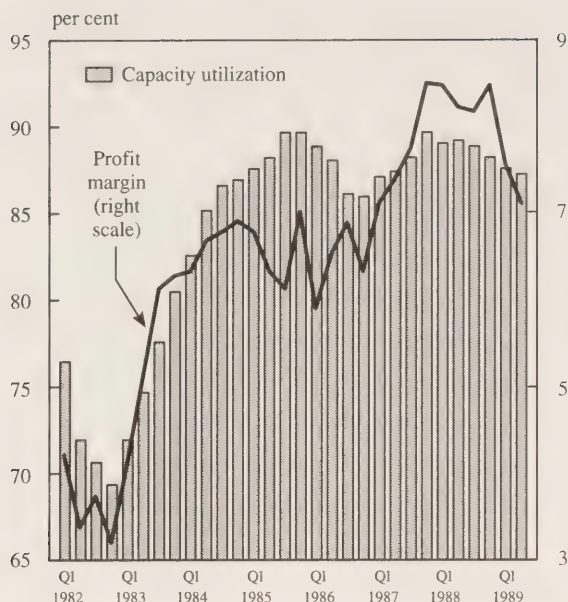
effective per cent increase in base rates



Although public sector wage settlements appear to be lower than those in private sector, non-federal public sector settlements jumped to 6.1% in the second quarter. This jump was led by wage increases in provincial and local administration of 6.9% and 6.6% respectively. Wages in other public sector categories are at or above 5%. Wage settlements in federal administration (including Crown corporations) averaged 4.1% in the second quarter.

Chart 9.7

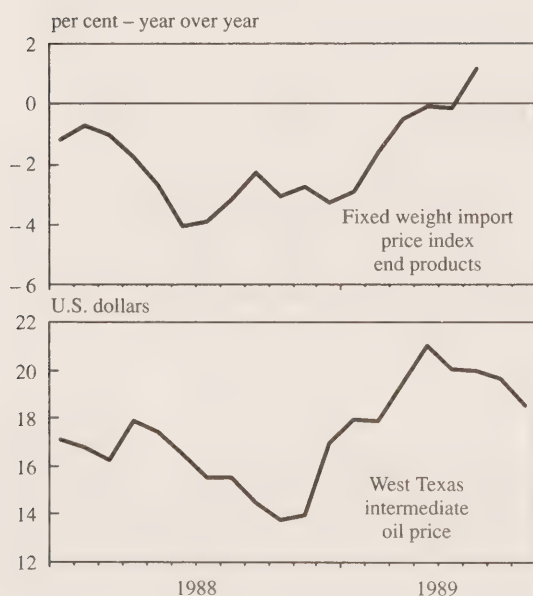
Demand Pressures in Product Markets (Manufacturing)



Although little improvement has been seen in measured inflation, inflationary pressures in product markets are now showing some signs of easing. Output growth in the consumer goods sector slowed significantly in the second quarter. The backlog of orders for consumer durables has also begun to decline. This easing in production, together with continuing strong capital investment, has resulted in a fourth consecutive quarterly decline in the capacity utilization rate. This easing has reduced the ability of firms to pass on underlying cost increases and profit margins have fallen in the first half of this year.

Chart 9.8

External Influences on Domestic Prices

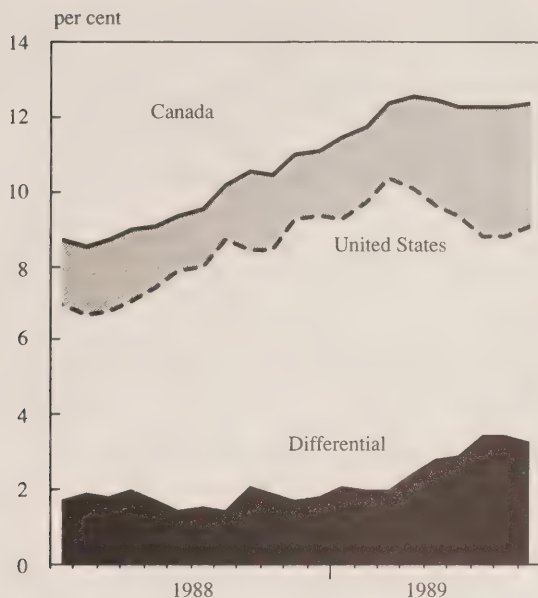


In addition to domestic influences, external factors are also potentially important sources of inflationary pressures. These influences are mixed in 1989. For instance, import prices fell substantially throughout 1988 as the Canadian dollar appreciated, but they have increased once more with the relative stability of the Canadian dollar vis-à-vis its U.S. counterpart in 1989. On the other hand, world oil prices, which had increased to the U.S. \$20-\$21 range earlier in 1989, have since fallen to U.S. \$18-\$19. As changes in world oil prices usually affect consumer prices with a lag, this reduction should moderate consumer energy prices.

10. Financial Sector

Chart 10.1

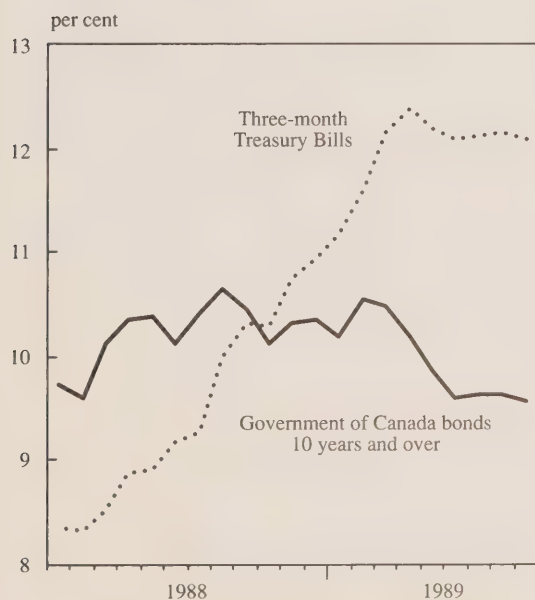
90-Day Commercial Paper Rate Differential



Since March, short-term interest rates in Canada have been fairly stable. The 90-day commercial paper rate, which rose to 12.35% in March is now at about 12.30%. In the United States, on the other hand, short-term rates have declined during the same period. From a level of 10.36% in March, the 90-day commercial paper rate has fallen to 9.02% (Sept. 8). The differential between Canada and the United States is at its widest in three years.

Chart 10.2

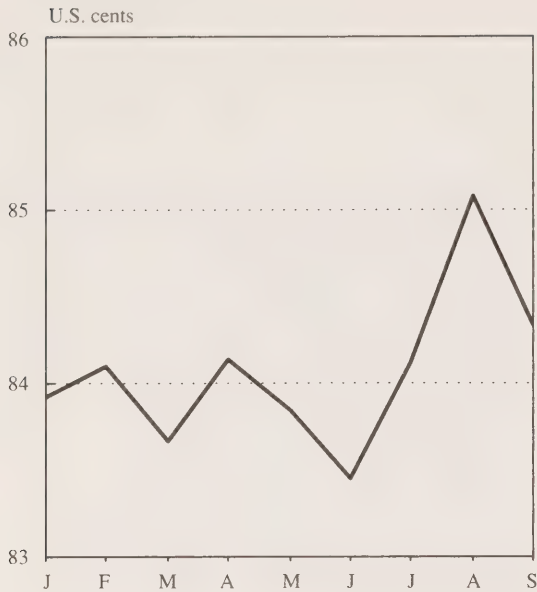
Short- and Long-Term Interest Rates Since January 1988



While short-term rates have stabilized in Canada, long-term rates have eased somewhat since March, thus steepening the inversion of the yield curve. The spread between the rate on Government of Canada bonds ten years and over and the three-month Treasury bill rate, which became negative in October 1988, is now about -250 basis points.

Chart 10.3

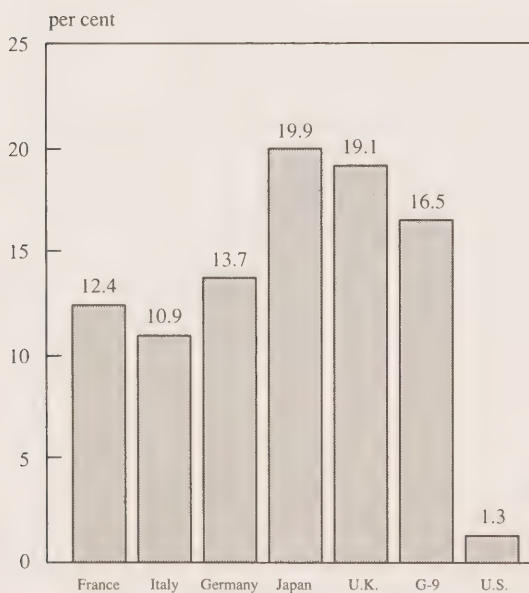
**Canadian Dollar in 1989
(noon spot)**



Despite the recent strength of the U.S. dollar against the major overseas currencies, the Canadian dollar had maintained and since June, increased its value against its U.S. counterpart. More recently, in early September, the dollar has lost some of the gains realized against its U.S. counterpart in August. For most of the year, however, the dollar has traded in the U.S. \$0.835 - \$0.85 range.

Chart 10.4

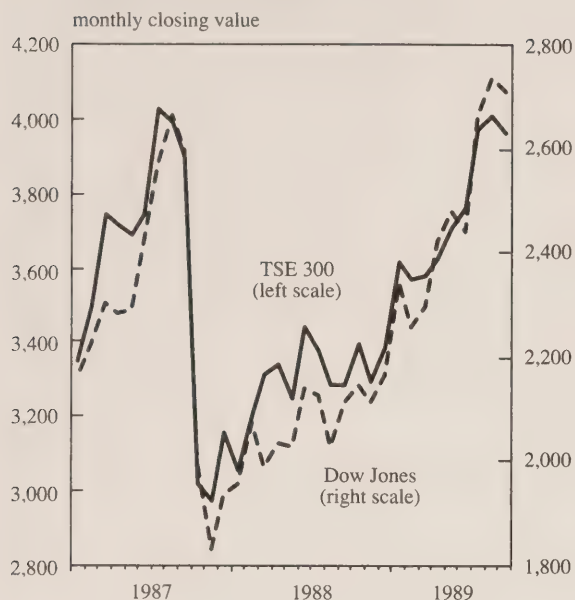
**Appreciation of the Canadian Dollar
Since December 1988**



The Canadian dollar has appreciated almost 17% against major currencies (G-9) since the end of 1988. It has risen by more than 19% against the British pound and Japanese yen.

Chart 10.5

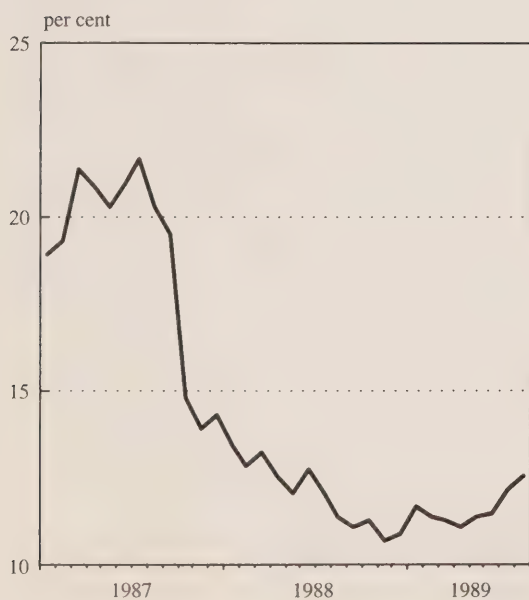
TSE Index and Dow Jones Since January 1987



The Dow Jones index established an all-time high in August, while the TSE-300 index neared its previous record peak. Stock market prices have risen fairly steadily since the end of 1987. While strong price increases have been evident in some sectors such as financial services and merchandising, some others, such as oil and gas and paper and forest products, have recovered only 50% to 75% of their October 1987 losses.

Chart 10.6

Price Earnings Ratio



Despite the gains registered in the TSE index, the TSE price-earnings ratio is still below its historical average of about 15. The low level is partly attributable to high real interest rates which have attracted investors' funds to less risky financial assets such as bonds.

Special Report

Prepared by:

Nathalie Boisvert*
Fiscal Policy Division
Fiscal Policy and Economic Analysis Branch
Department of Finance.

*Views expressed in this special report represent
those of the author and should not be attributed
to the Department of Finance.*

*The author wishes to thank David Lynn
and the Financial Flows Division of
Statistics Canada for their valuable
contribution to this paper.

11. Measuring the Financial Situation of the Federal Government

Introduction and Summary

For a number of years, the Canadian government has been faced with large deficits and a rapidly growing debt. Analysts and the general public have increasingly shown interest in the causes and consequences of this situation. One of the problems facing both analysts and observers of the government's deficits and debt is the existence of a number of measures of the government's fiscal and financial situation.

For example, the deficit on a public accounts basis amounted to \$28.7 billion⁽¹⁾ in 1988-89. On a national accounts basis, the deficit was much lower – about \$22.4 billion, while the government's financial requirements (excluding foreign exchange transactions) amounted to \$22 billion. Similarly, the federal government's net debt according to the public accounts was \$320.9 billion at the end of 1988-89. According to the national accounts, however, it was more than \$80 billion lower, at \$240.4 billion.

Each system of accounting is useful in its own right and provides different, but useful perspectives on the government's fiscal situation. The systems are complementary, each designed to serve different objectives.

A comprehensive assessment of the government's fiscal situation requires the use of both public and national accounts. For the past few years, budget documents have tended to focus on the public accounts deficit and debt as the government's fiscal targets have been set on a public accounts basis. At the same time, the budget documents contain much useful information on the government's fiscal situation on the basis of the national accounts and financial requirements.

This note compares the two accounting systems, underlines conceptual and methodological differences between them, and discusses the relationship between the public and national accounts deficits and financial requirements. The

note concludes with a reconciliation of the two measures of debt.

Objectives and Characteristics of the Accounting Systems

The purpose of the public accounts is to record revenues, expenditures, assets and liabilities in order to permit parliamentary control of public funds. The difference between annual budgetary revenues and expenditures is the budgetary deficit or surplus for the year. The difference between assets and liabilities is net public assets or net public debt. The year-to-year change in the net public debt is, by definition, equal to the budgetary deficit or surplus.

The public accounts are used to control the Consolidated Revenue Fund (CRF) on the same basis as the government receives borrowing authority. The CRF is an accounting term for the sum of all public money on deposit to the credit of the Receiver General for Canada. In some respects, the CRF represents the federal government's bank account. All money received on the government's behalf is deposited in the CRF and expenditures must be approved by Parliament and paid out of this fund. For the purpose of the public accounts, the government universe consists of all departments, commissions, the Senate, the House of Commons and the Library of Parliament. Transactions by Crown corporations are excluded except when the government transfers funds to them.

By comparison, the purpose of the national accounts is to measure economic activity. Among other things, the national accounts measure public sector transactions in a way consistent with transactions in other sectors of the economy. They also provide a consistent framework for aggregations and comparisons of the fiscal positions of the various levels of government. Comparisons between the public accounts of federal, provincial and other levels of government

(1) All numbers presented for public accounts in 1988-89 are preliminary financial estimates.

Chart 11.1

National Accounts and Public Accounts Deficits 1980-81 to 1988-89 (fiscal years)

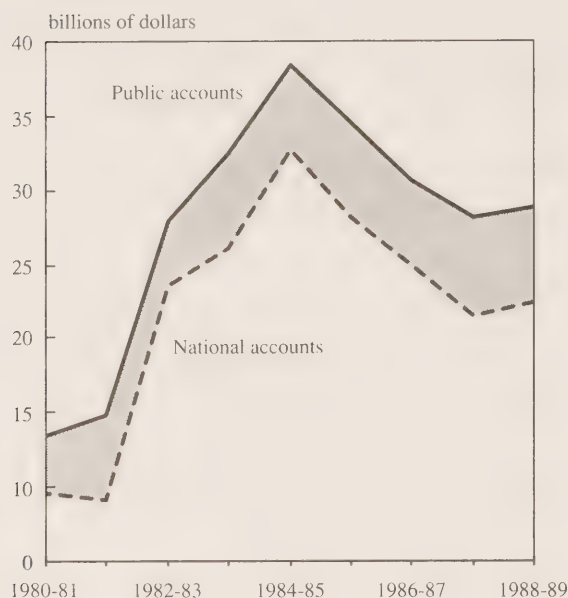


Chart 11.2

Difference between Public Accounts and National Accounts Deficits (fiscal year 1988-89)

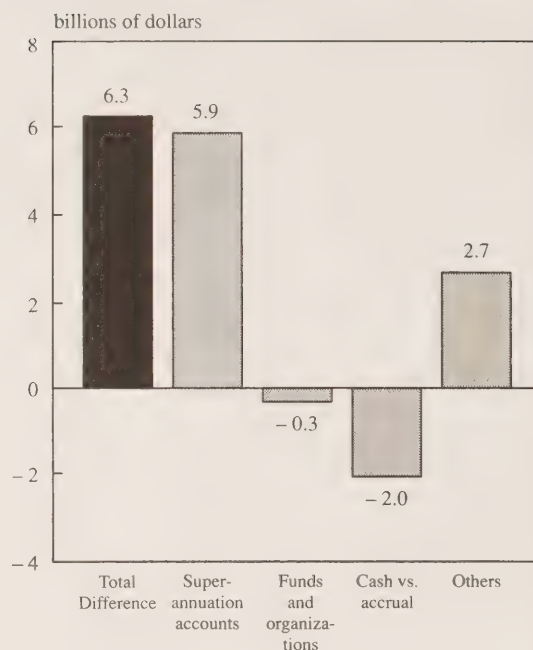


Table 11.1

Reconciliation of Revenues, Expenditures and Deficit Between the Public Accounts and National Accounts Fiscal Year 1988-1989⁽¹⁾

	Revenues	Expenditures (billions of dollars)	Deficit
(a) Public accounts	104.0	132.7	28.7
(b) Factors affecting the deficit			
Superannuation accounts	7.8	1.9	-5.9
Excess of accruals over collections	-2.0 ⁽²⁾	—	2.0
Funds and organizations	—	0.3	0.3
Others	0.8	-1.9	-2.7
Total	6.6	0.3	-6.3
(c) Factors not affecting the deficit			
Deficits of government business enterprises	-0.9	-0.9	—
Capital consumption allowances	1.4	1.4	—
Non-tax revenues	-1.3	-1.3	—
Total	-0.8	-0.8	—
(d) National accounts	109.8	132.2	22.4

(1) Figures may not add due to rounding.

(2) Of this \$2.0 billion, approximately \$250 million represents an excess of amounts collected over amounts due with respect to the direct taxes on corporations and non-residents. It is offset by a sum of \$1.7 billion that arises from the different treatment of the acceleration of tax remittances in the two accounting systems. The acceleration is not generally, however, a concern for this reconciliation. It reflects the one-time effect of measures introduced in recent budgets that require the earlier remittance of personal, corporate, sales and excise taxes.

are limited by important differences between their individual public accounts systems. Standardizing government sector universes and accounting conventions in the national accounts framework has a number of important consequences. For example, the government sector in the national accounts includes a much broader range of activities than in the public accounts. The national accounts government sector includes transactions by special funds and organizations that are primarily government-funded and provide non-commercial services. These are generally excluded from the public accounts.

Methods and definitions used in the national accounts are based on those of the United Nations. This makes it possible, with some caveats, to compare budgetary balances between countries. The national accounts also distinguish between current and capital expenditures by governments. Despite conceptual difficulties in measuring capital expenditures, data on them in the national accounts are useful for economic and fiscal policy analysis.

Major Accounting Differences in the Public and National Accounts Deficits

Substantial differences between the public and national accounts deficits arise because of the different objectives of the two accounting frameworks. Chart 11.1 shows the public and national accounts deficits for the period from 1980-81 to 1988-89. The national accounts deficit has been consistently lower than the public accounts deficit. For example, in 1988-89 the difference between the two figures is \$6.3 billion. The profiles of the two deficits are, however, very similar over time.

Although the different accounting conventions affect both revenues and expenditures, the effect is much greater on revenues. For example, in 1988-89, expenditures according to the two systems were almost identical while revenues were \$5.8 billion higher according to the national accounts.

There are many differences between the two systems in the accounting conventions and the government sector universe. A few factors explain most of the differences and can be used to

reconcile the two systems. They can be divided into those that affect the level of the deficit and those affecting the level of revenues and expenditures but not the deficit. Table 11.1 summarizes the reconciliation for fiscal year 1988-89.

Reconciliation Factors Affecting the Level of the Deficit

Chart 11.2 shows the key reconciliation factors for 1988-89 between the budgetary deficit on a public accounts basis and the national accounts deficit. Each is discussed below.

(a) *Government Superannuation Accounts*

Most of the difference between the two measures of the deficit is explained by the different treatment of government superannuation accounts. The national accounts include in government revenues employer and employee contributions and the accrued interest on surplus funds; they include in expenditures benefits, accrued interest and the government's contributions as an employer. Consequently, expenditures in the form of employer contributions and accrued interest payments have no impact on the national accounts deficit being offset by contributions and investment income.

The public accounts, by contrast, exclude superannuation revenue transactions. Expenditures include the government's contributions as an employer, accrued interest on surplus funds and indexed pension payments. These differences mean the national accounts deficit is lower than the public accounts deficit. As can be seen from Table 11.1 the annual surplus of government superannuation accounts alone accounts for \$5.9 billion of the \$6.3 billion difference between the two measures of the deficit in 1988-89.

(b) *Cash versus Accrual Accounting*

The difference between cash and accrual methods of accounting also explains part of the difference in the two measures of the deficit. In cash accounting, revenue and expenditure are recorded when funds are deposited or withdrawn from the CRF. This method is used to record most revenue

transactions in the public accounts. In accrual accounting, revenue and expenditure are recorded when funds are earned or committed. In principle, this method is used to record revenue transactions in the national accounts, although most revenues are in fact recorded using collections data. Corporate income taxes are the principal revenue measured on an accrual basis in the national accounts.

The difference in treatment emphasizes the different objectives of the two systems. In the case of the budgetary deficit in the public accounts, the objective of managing public funds means that the emphasis is on cash transactions. In the case of the national accounts, the objective of measuring economic activity means that certain transactions are recorded on an accrual basis to measure when revenues and expenditures are incurred.

For 1988-89, the cash-vs-accrual factor by itself would result in the national accounts deficit being \$2.0 billion higher than the budgetary deficit (Table 11.1). Most of the difference for 1988-89 is due to the different treatment of the acceleration of tax remittances which is recorded on an accrual basis in the national accounts and a cash basis in the public accounts.

(c) *Treatment of Funds and Organizations*

The broader government universe of the national accounts includes the expenditures of certain special funds and organizations excluded from the public accounts. These expenditures are primarily the financial transactions of non-commercial organizations such as Atomic Energy of Canada Limited, the National Arts Centre and the Cape Breton Development Corporation. The public accounts record as budgetary expenditures only transfers to these special funds and organizations, while the national accounts record the total expenditures of these agencies. The difference in expenditures between the public and national accounts, therefore, corresponds to the excess of expenditures by these funds and agencies over the transfers that they receive.

(d) *Other Factors*

A number of factors account for the remaining difference between the budgetary and national

accounts deficits. Among these are public accounts transactions excluded from the national accounts, such as the purchase and sale of existing fixed assets, allowances for valuation and write-offs. It also includes adjustments to reflect differences in the treatment of goods received and services rendered prior to March 31, but for which no payment has yet been made.

Factors Affecting Only the Levels of Revenues and Expenditures

Some of the methodological differences between the public and national accounts affect only the level of revenues and expenditures, not the deficit. These elements relate primarily to imputed transactions, such as depreciation, and the net versus gross accounting of various transactions.

(a) *Allowances for Capital Expenditures*

As mentioned earlier, the national accounts distinguish between current expenditures and the purchase of new capital goods. Capital goods are used for several years and the national accounts include an estimate for depreciation or capital consumption allowances for the portion of these goods consumed during the year. This depreciation is calculated on the basis of replacement cost.

(b) *Net versus Gross Accounting*

This type of adjustment affects primarily two elements. First, in the public accounts the deficits of government business enterprises appear as budgetary expenditures, while in the national accounts they are deducted from remitted profits. Second, some non-tax revenue items, such as service charges and earnings from the sale of goods, are recorded as revenues in the public accounts but deducted from expenditures in the national accounts.

Financial Requirements

Financial requirements, excluding foreign exchange transactions, are another frequently used indicator of the government's financial situation. Financial requirements correspond to the budgetary deficit plus financial transactions such as loans and advances, specified purpose accounts and certain

other financial transactions. This measure is yet another perspective on the federal government's financial position, providing a better indication than the budgetary and national accounts deficits of the amount of funds that the government borrows on capital markets. The actual amount borrowed is also affected, however, by foreign exchange transactions and changes in the government's cash balances.

Chart 11.3 shows that financial requirements and the national accounts deficit are very close. As mentioned earlier, the main difference between the public accounts and the national accounts deficit is the treatment of superannuation accounts. Since financial requirements include non-budgetary transactions such as the superannuation accounts, the national accounts deficit and financial requirements tend to be quite similar.

Table 11.2 contains a summary reconciliation between financial requirements and the national accounts deficit. The national accounts do not include purely financial transactions such as loans and advances; accordingly, a reconciliation is

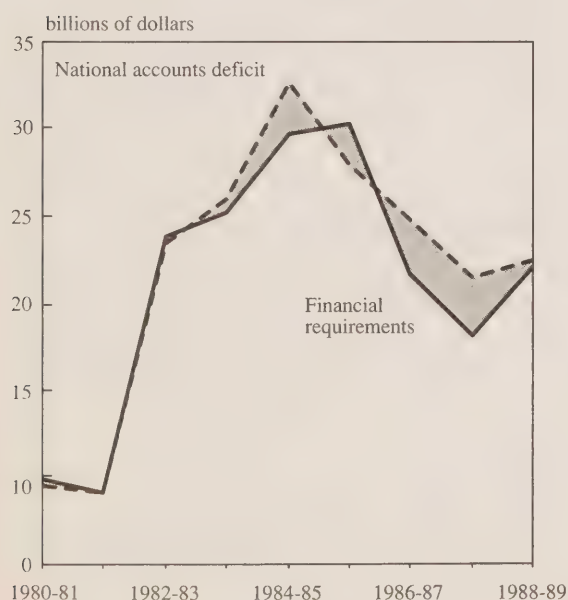
required for this convention. Further, financial requirements are calculated on a cash basis of accounting while the national accounts are in principle recorded on an accrual basis of accounting. Therefore, as is the case in the difference between the budgetary deficit and the deficit according on national accounts basis, a reconciliation must be made for the excess of cash versus accruals.

Measuring Public Debt

Measuring the public debt is critical in evaluating the federal government's fiscal situation, since controlling the growth of the debt has been a key objective in recent years. As debt is defined as the accumulation of deficits, the different deficit figures mentioned earlier result in different debt totals. In the public accounts, the debt is identically equal to the sum of cumulative deficits. In the national accounts, however, certain revaluation adjustments to the debt mean that it does not correspond exactly to the cumulation of national accounts deficits, though the difference tends to be small.

Chart 11.3

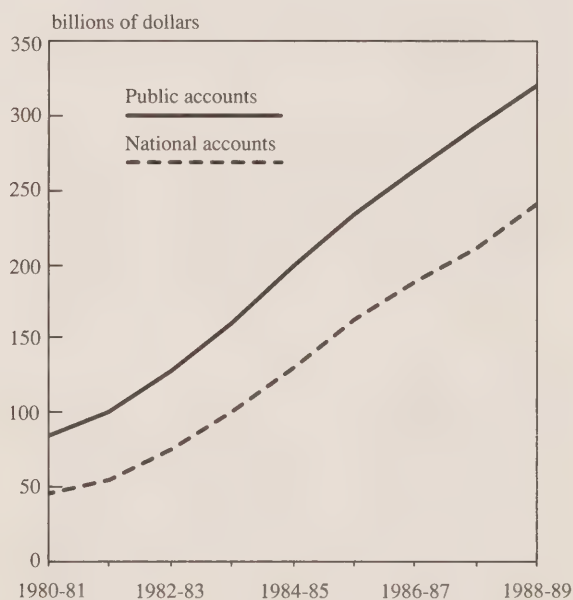
National Accounts Deficit and Financial Requirements* 1980-81 to 1988-89 (fiscal years)



*Excluding foreign exchange transactions.

Chart 11.4

Alternative Measures of Public Debt 1980-81 to 1988-89 (fiscal years)*



*For the purpose of this summary comparison, the national accounts debt is shown by fiscal year. For example, calendar 1987 debt corresponds to fiscal year 1987-88 debt.

Table 11.2

**Reconciliation Between Financial Requirements and the
National Accounts and Public Accounts Deficits**
Fiscal Year 1988–1989⁽¹⁾

	Public accounts	National accounts
	(billions of dollars)	
Deficit	28.7	22.4
Sources (–) / Requirements (+)		
Loans, investments and advances	– 1.1	– 1.1
Excess of accruals over collections	—	0.2
Specified purpose accounts	– 5.4	—
Other transactions ⁽²⁾	– 0.2	0.5
Financial requirements	22.0	22.0

(1) Figures may not add due to rounding.

(2) The “other transactions” category includes the provincial tax collection agreements account, the Canada Pension Plan account and deposit and trust accounts.

Table 11.3

Financial Assets – March 31, 1989

Public accounts		National accounts ⁽¹⁾	
(billions of dollars)			
Similar categories			
Cash	1.8	Currency and deposits	2.1
Other loans, investments and advances	9.4	Other loans	13.0
Loans, investments and advances to Crown corporations	23.2		
Total foreign exchange accounts	16.8	Claims on government enterprises	48.5
Sub-total	<u>40.0</u>	Other assets ⁽²⁾	3.0
Sub-total	51.2	Sub-total	66.6
Different categories			
Allowance for valuation	– 10.2	Not recorded	
Cash in transit	1.9	Not recorded	
Total	42.9		66.6

Note: Figures may not add due to rounding.

(1) Since no figures are published in the national accounts for the total assets at March 31, 1989, the figures presented in this table are constructed by adding first quarter of 1989 flows to the published 1988 year-end stocks.

(2) This amount includes receivables, finance and short-term paper, mortgages, bonds, foreign investments and other financial assets. This amount in part reflects differences in classification with the public accounts.

Chart 11.4 shows the net debt according to the public and national accounts for the period 1980-81 to 1988-89. Both measures show an upward trend over the period, but the levels of each are notably different. As with deficits, the national accounts debt is lower than the public accounts debt. Table 11.3 compares the government's assets under the two accounting systems; Table 11.4 compares liabilities. The national accounts classification is modified for presentation in the table to allow for a summary comparison with the public accounts. The upper part of each table shows similar categories while the bottom part shows those categories that do not have equivalent counterparts in the two systems.

Reconciliation of the Estimates of the Public Debt

The net debt of the federal government is defined as the difference between financial assets and liabilities. In the public accounts, the net debt amounted to \$320.9 billion at the end of 1988-89 compared with \$240.4 billion in the national accounts. About \$57 billion of the roughly \$80 billion difference is attributable to differences in liabilities, while approximately \$24 billion is accounted for by differences in assets.

Assets

Differences in assets (Table 11.3) between the public and national accounts are mainly accounted for by the allowance for valuation, cash in transit and differences in the definition of the government universe and accounting procedures.

The allowance for valuation is used when the government revalues assets and writes off certain debts. When the government believes a loan is likely to be defaulted by a debtor, it writes off the account. This practice is not followed in the national accounts. In 1988-89 this element accounted for \$10.2 billion of the difference between assets on a public and national accounts basis.

The cash in transit account reflects public money received after March 31 that relate to the fiscal year closed on that date. It is used at the end of the fiscal year, when the government closes its accounts, and represented \$1.9 billion in 1988-89. This amount does not appear in the national accounts.

In the definition of the federal government universe, the universe for Crown corporations is smaller in the national accounts than in the public accounts. For example, certain enterprises such as Atomic Energy of Canada Limited, the Cape Breton Development Corporation and the National Capital Commission are treated as special funds under the national accounts and not as Crown corporations. The most important methodological difference is that the national accounts include the retained earnings of Crown corporations in their asset figures, while the public accounts do not. Also, under the national accounts, certain loans and advances made by the federal government to Crown corporations appear in the balance sheets of the enterprise but not in the government's accounts. These factors explain the remaining differences between the public and national accounts assets.

Liabilities

The difference in liabilities between the two systems (Table 11.4) is accounted for mainly by the superannuation accounts, the allowance for valuation and differences in accounting methods.

Government superannuation represented liabilities totalling \$58.6 billion in 1988-89, or over 70 per cent of the difference between the two estimates of the debt. These public accounts liabilities correspond to the value of the net benefits the government anticipates having to pay to its employees in the future. This element is totally excluded from the national accounts liabilities.

An allowance for valuation is also used on the liabilities side. This item, amounting to \$10 billion in 1988-89, corresponds to the allowances for employee vacations and for borrowings of agent Crown corporations (\$2.7 billion), allowance for accounts payable (\$3.8 billion) and some other allowances (\$3.5 billion).

Other differences due to accounting practices are also present. For example, in the case of accounts payable, some expenditures for goods and services occur during the supplementary period, that is after March 31 of each fiscal year. In the public accounts, all such expenditures are brought back to the fiscal year ending March 31; under the national accounts, expenditures for goods and services during this extended period are distributed equally between the two fiscal years.

Table 11.4

Liabilities – March 31, 1989

Public accounts		National accounts ⁽¹⁾	
(billions of dollars)			
Similar categories			
Treasury and Canada bills	103.8	Short-term paper	103.2
Bonds	171.8	Bonds	173.1
Other liabilities	19.7	Other liabilities	30.8
Sub-total	295.3	Sub-total	307.1
Different categories			
Net superannuation accounts	58.6	Not recorded	
Allowance for valuation			
– Employee vacations and borrowing of Crown corporations	2.7	Not recorded	
– Accounts payable	3.8		
– Other	<u>3.5</u> 10.0		
Total	363.9		307.1

Note: Figures may not add due to rounding.

- (1) Since no figures are published in the national accounts for the total liabilities at March 31, 1989, the figures presented in this table are constructed by adding first quarter of 1989 flows to the published 1988 year-end stocks.

Table 11.5

Public Debt of the Federal Government**As at March 31, 1989**

	(billions of dollars)
Public accounts – net debt	320.9
Less: Government superannuation accounts	58.6
Allowance for valuation	20.2
Cash in transit	– 1.9
Other adjustments (net)	<u>3.6</u>
National accounts – net debt	240.4

Note: Figures may not add due to rounding.

This means that this liability is always higher under the public accounts than the national accounts. Other differences are also due to variations in the definitions of the government universe or to different methods of assets and liabilities.

Summary

A summary comparison of the net debt under the public accounts and national accounts systems is given in Table 11.5. Again, the main difference

between the two systems is attributable to the treatment of the superannuation accounts, an amount of \$58.6 billion in 1988-89. Allowance for valuation accounts for a difference of almost \$20.2 billion while cash in transit accounts for \$1.9 billion. Other differences arise principally because of differences in the definition of the government universe and accounting methods. The *net effect* of these other factors amounts to \$3.6 billion.

CAI
FN
E/6

Quarterly Economic Review

December 1989

Quarterly Economic Review

December 1989



Department of Finance
Canada

Ministère des Finances
Canada

Cette publication est également offerte en français.

Preface

The *Quarterly Economic Review* provides a timely analysis of recent developments in the Canadian economy and presents analytical work of the staff of the Department of Finance.

Most of the data used in the *Quarterly Economic Review* come from Statistics Canada. Other regular sources of data are: the Bank of Canada, Canada Mortgage and Housing Corporation, the Canadian Real Estate Association, Labour Canada, the Organization for Economic Co-operation and Development (OECD), the Bank of Nova Scotia and the Conference Board of Canada.

Unless otherwise indicated, data and per cent variations are quoted at annual rates. The cut-off date for Statistics Canada data reported here is December 8, 1989.

Comments or questions should be directed to Richard Egelton (613-992-9324), Assistant Director, Economic Analysis and Forecasting Division, Fiscal Policy and Economic Analysis Branch, Department of Finance, Ottawa, Ontario, K1A 0G5.

Table of Contents

1. The Economy in Brief	1
Real GDP grew at an annual rate of 2.3% in the third quarter, compared with 1.4% in the second. Growth in final domestic demand slowed to 1.1% from 4.4% in the second quarter.	
2. Personal Sector	5
Consumer spending was unchanged in the third quarter, after strong growth in the second. Spending on all categories of goods declined.	
3. Housing Sector	9
Residential investment increased in the third quarter due to a rebound in real estate commissions. This reflected the increase in sales of existing houses in the third quarter.	
4. Business Investment and Inventories	13
Business investment slowed in the third quarter. The rate of inventory accumulation also declined in the third quarter.	
5. Government Sector	19
The federal deficit, on a Canadian Income and Expenditure Account basis, was \$24.3 billion (annual rate) during the first three quarters of 1989, up from \$20.2 billion in 1988. The provincial-local-hospital sector has moved into a deficit position in 1989 from a surplus last year.	
6. Foreign Trade	21
The real net export balance improved in the third quarter, with imports declining more than exports. The current account deficit improved to \$18.8 billion in the third quarter from \$21.6 billion in the second.	
7. Output	25
Real GDP at factor cost increased 2.5% in the third quarter. Sectorally, the output of service producing industries increased 2.9%, while that of goods producing industries was up 1.9%.	
8. The Labour Market	27
Despite volatility over the course of this year, employment in November increased by 216 thousand jobs from the level at the end of last year.	
9. Price and Wage Sector	31
Most measures of product-market inflation eased in the third quarter, but labour cost pressures continued to mount. Underscoring the rising labour cost pressures was a further acceleration in wage settlements in the third quarter.	
10. Financial Sector	35
Canadian interest rates have been largely unchanged since the spring. U.S. short-term interest rates declined further in November, pushing the differential with Canadian short-term rates (90-day commercial paper) to 380 basis points on December 8. The Canadian dollar strengthened further against its U.S. counterpart.	

Special Report

11. The Department of Finance's Recent Forecasting Record 41

This report gives an overview of the Department of Finance's record of forecasting economic performance over 1985 to 1988, and provides comparisons with private sector forecasts for this period.

1. The Economy in Brief

Key Messages

- Growth in real GDP continued at a modest pace in the third quarter, rising to 2.3% from 1.4% in the second quarter. Despite the modest pace of economic growth, the level of economic activity remains high relative to the economy's potential to supply goods and services.
- The third quarter witnessed a marked change in the composition of output growth. Final domestic demand, after increases in the range between 4 and 6% from 1985 through the first half of this year, slowed significantly in the third quarter. The real trade balance contributed positively to output growth in the third quarter for the first time since the first half of 1988. This led to an improvement in the current account deficit, although it remained at a very high level.
- The rate of inflation, as measured by the year-over-year change in the CPI, eased to 5.1% in October, down from the June–July peak of 5.4%. Nevertheless, underlying cost pressures remain strong. Unit labour costs are up 5.8% on a year-over-year basis in the third quarter and wage settlements have continued to rise.

Summary

Economic growth rose to 2.3% in the third quarter from 1.4% in the second. An improvement in real net exports more than compensated for a lower growth rate of final domestic demand (Chart 1.1).

The slowing in final domestic demand growth was caused by declines in the interest-sensitive categories of consumer goods spending and machinery and equipment investment. Spending in other interest-sensitive sectors, such as housing, however, remained strong. New housing starts remained above 200 thousand at an annual rate.

Exports declined in the third quarter due to both slow growth in domestic demand in the United States and the high value of the Canadian dollar. Imports declined even more, however, reflecting the slowing in domestic demand growth in Canada.

The CPI inflation rate eased in the third quarter, though pressure from labour costs continued to build. Sluggish demand growth and increasing labour costs led to a second consecutive quarterly decline in corporate profits.

Chart 1.1

Change in Real GDP and Real Final Domestic Demand

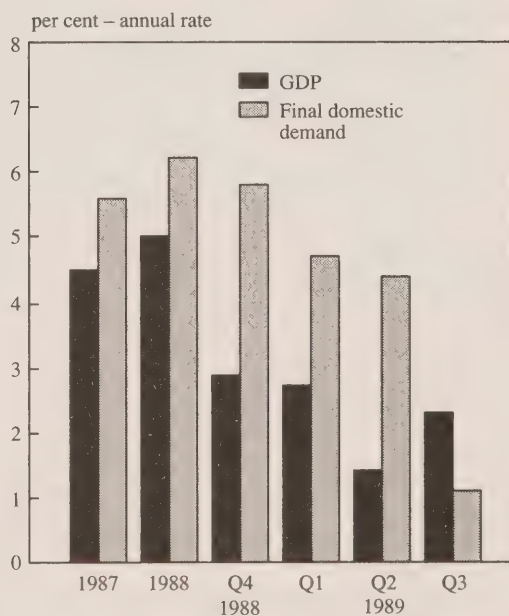


Chart 1.2

CPI Inflation

per cent – year over year

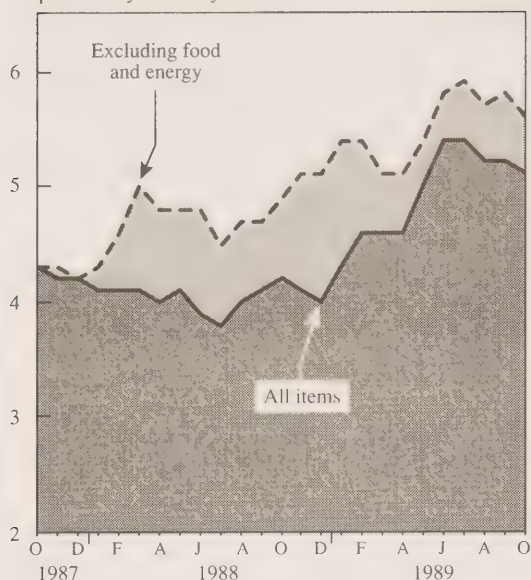
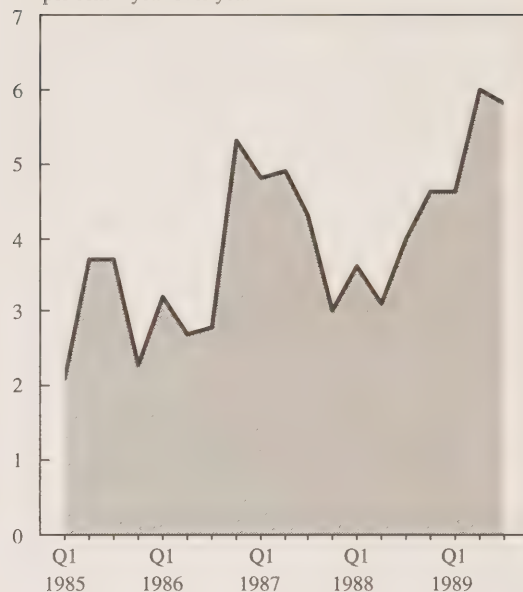


Chart 1.3

Unit Labour Costs

per cent – year over year

**Main Economic Indicators**

(per cent changes at annual rates or per cent levels, unless otherwise indicated)

	1987	1988	1988 Q4	1989 Q1	1989 Q2	1989 Q3
Real gross domestic product	4.5	5.0	2.9	2.7	1.4	2.3
Final domestic demand	5.6	6.2	5.8	4.7	4.4	1.1
Consumption	4.9	4.3	5.8	1.5	5.4	-0.0
Residential construction	16.4	4.6	11.9	13.5	-11.9	1.1
Business fixed investment	11.1	18.9	10.6	14.7	11.5	2.7
Non-residential construction	3.3	12.1	0.8	4.4	4.1	10.6
Machinery and equipment	16.6	23.1	16.4	20.6	15.5	-1.2
Business inventory investment (\$b,a.r.)	0.9	-0.9	0.0	1.5	3.9	3.3
Non-farm	1.5	1.7	0.3	0.8	1.8	1.7
Trade balance (\$b,a.r.)	11.5	6.9	2.0	-0.8	-5.7	-4.7
Current account balance (\$b,current,a.r.)	-9.4	-10.3	-15.6	-15.0	-21.6	-18.8
Incomes						
Real personal disposable income	3.9	4.1	6.6	8.2	-2.2	1.9
Profits before taxes	24.5	10.7	-10.9	14.7	-18.3	-5.4
Costs and prices (% Y/Y)						
GDP price deflator	4.4	4.1	4.3	5.1	5.5	4.5
Consumer price index	4.4	4.1	4.1	4.5	5.0	5.3
CPI – energy component	2.6	0.6	-3.1	-1.1	2.5	5.4
CPI – excluding food and energy	4.6	4.8	5.0	5.3	5.4	5.8
Unit labour costs	4.2	3.8	4.6	4.6	6.0	5.8
Labour market						
Unemployment rate	8.8	7.8	7.7	7.6	7.6	7.4
Employment	2.9	3.2	1.9	3.6	0.4	2.8
Financial developments						
Exchange rate (end of period) (U.S.cents)	76.96	83.86	83.86	83.86	83.55	84.95
Prime interest rate (end of period)	9.75	12.25	12.25	13.50	13.50	13.50

Sources: Statistics Canada and the Bank of Canada.

Consumer Spending Flat in Third Quarter

Consumer spending was unchanged in the third quarter after a strong 5.4% increase in the second quarter. Spending on all categories of goods fell in the third quarter, with automobile purchases exhibiting the most pronounced decline. A weakening in consumer spending in the third quarter was to be expected, since strength in the second quarter was exaggerated by a number of special factors, including the unusual timing of tax refunds this year due to income tax reform, as well as buyer incentive programs in the automobile industry. The personal saving rate increased to 9.7% in the third quarter from 9.4% in the second.

Rebound in House Sales Boosts Residential Investment

Residential investment grew 1.1% at an annual rate in the third quarter following a sharp decline in the second. The third quarter increase was due mainly to a rebound in real estate commissions, as house sales strengthened in response to lower mortgage rates. Housing starts rose slightly to 215 thousand units (annual rate) in the third quarter from 208 thousand in the second.

Machinery and Equipment Spending Weakens

Total business non-residential investment increased 2.7% in the third quarter. Business spending on machinery and equipment, however, fell 1.2% in the third quarter, the first quarterly decline in five years. The third quarter decline makes it likely that spending on machinery and equipment in 1989 will fall short of the revised projections in Statistics Canada's mid-year Survey of Private and Public Investment in Canada. With the strong growth in previous quarters, however, machinery and equipment spending was still up 12.5% over the third quarter of last year and investment in machinery and equipment as a share of GDP remains near an historic high. Non-residential construction registered a strong gain in the third quarter, increasing 10.6%.

Net Exports Increase

Real net exports improved in the third quarter, thus adding to real GDP growth for the first time in over a year. Imports declined 4.0%, reflecting the slowing in domestic demand in Canada. Exports fell 1.7% due to both the high value of the Canadian dollar and the slow growth of domestic demand in the United States. The improvement in net exports, plus an increase in net inflows of immigrants' funds, led to a decline in the current account deficit from \$21.6 billion in the second quarter to \$18.8 billion in the third.

Employment Growth Continues

Employment continues to register solid gains in 1989. Compared with the end of 1988, employment in November was up by 216 thousand jobs. The largest gains in employment were realized in British Columbia. Employment growth slowed in Central Canada in 1989, but lengthened workweeks and frequency of overtime hours suggest this slowing was the result of a limited supply of labour rather than slackening demand.

Inflation Rate Eases

The CPI inflation rate peaked at 5.4% in June and July and has since eased somewhat. In October, the rate was 5.1%, down from 5.2% in September and August (Chart 1.2). The inflation rate excluding the volatile food and energy components fell to 5.6% in October from a July high of 5.9%. Prospects for further improvements in inflation are threatened, however, by an acceleration in labour costs. Wage settlements increased to 5.9% in the third quarter, the largest increase in six years. Settlements in some provincial administrations were particularly large. Unit labour costs in the third quarter were up 5.8% from the same quarter last year.

Profits Decline for Second Consecutive Quarter

Reflecting the squeeze on profit margins caused by both rising labour costs at a time of slowing

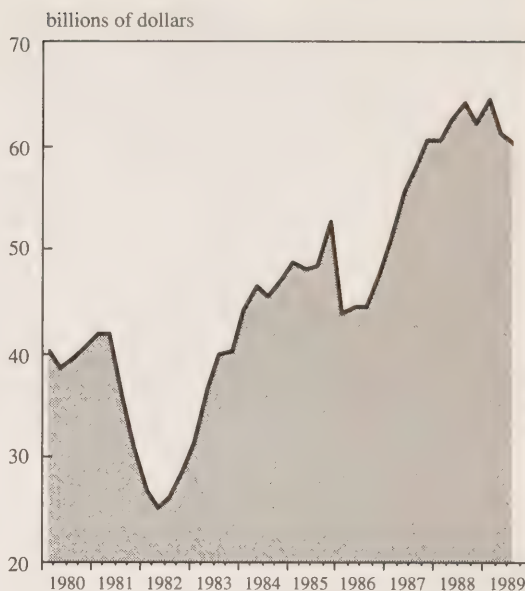
demand and the strong Canadian dollar, corporate profits declined 5.4% at an annual rate in the third quarter. This was the second consecutive quarterly decline (Chart 1.4). Profits now stand 5.7% below their level in the third quarter of last year.

Canadian Interest Rates Stable

Canadian short- and long-term interest rates have remained more or less unchanged since March. U.S. short-term interest rates eased slightly in November. The interest differential between Canadian and U.S. 90-day commercial paper widened to 380 basis points by the beginning of December, contributing to the strength of the Canadian dollar against its U.S. counterpart. By December 8, the Canadian dollar was trading just above U.S. \$0.86, compared with just under U.S. \$0.85 in September.

Chart 1.4

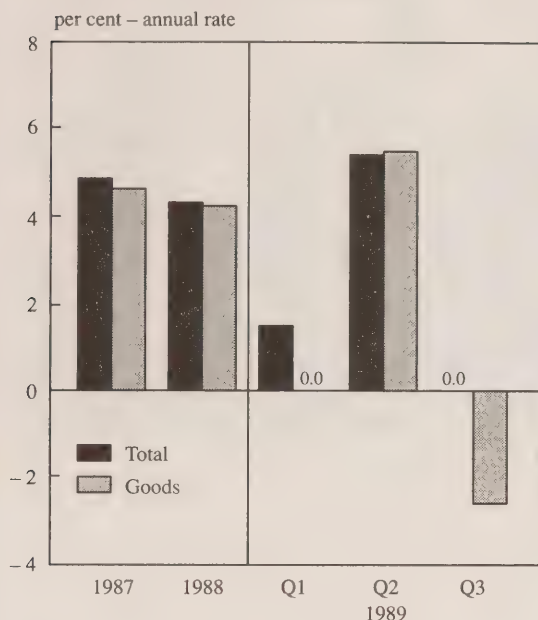
Pre-Tax Corporate Profits



2. Personal Sector

Chart 2.1

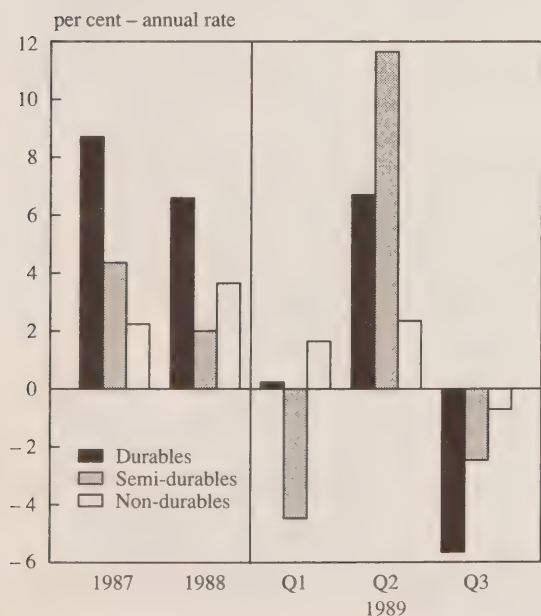
Change in Real Consumer Spending



After slowing considerably in the first quarter, real consumer expenditures increased rapidly in the second quarter. This rebound was due primarily to larger than usual tax refunds associated with income tax reform and enhanced buyer incentives offered by car dealers. When these temporary influences were removed in the third quarter, consumer expenditure growth flattened. The pattern of growth to date in 1989 has been dominated by spending on consumer goods, which fell sharply in the third quarter. Spending on services continued to grow at a fairly stable pace in the third quarter, despite the first decline in spending at hotels and restaurants since the end of 1986.

Chart 2.2

Change in Consumer Spending by Type of Goods



The substantial decline in real consumer spending on goods in the third quarter was evident in every major category. Spending on consumer durables registered the largest decline. New automobile purchases fell sharply in the quarter as a result of less pervasive buyer incentive programs relative to those in the second quarter. Expenditures on semi-durable goods also dropped, as demand for clothing and footwear decreased in response to strong price increases in the third quarter. Non-durable expenditures declined for the first time since early 1987.

Chart 2.3

Change in Personal Income by Category

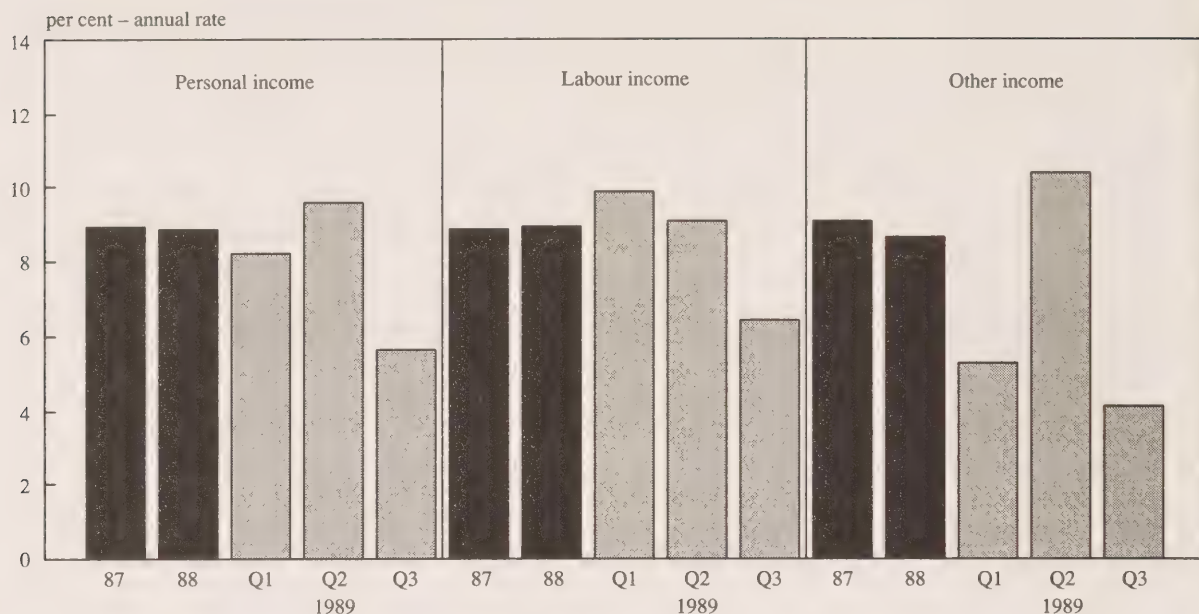
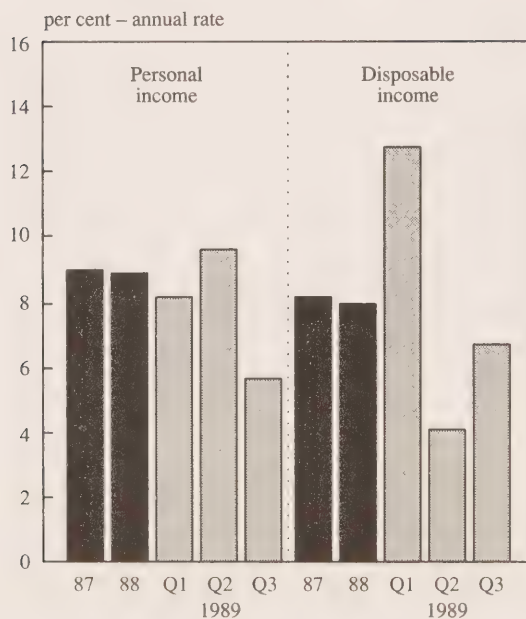


Chart 2.4

Change in Personal and Disposable Income

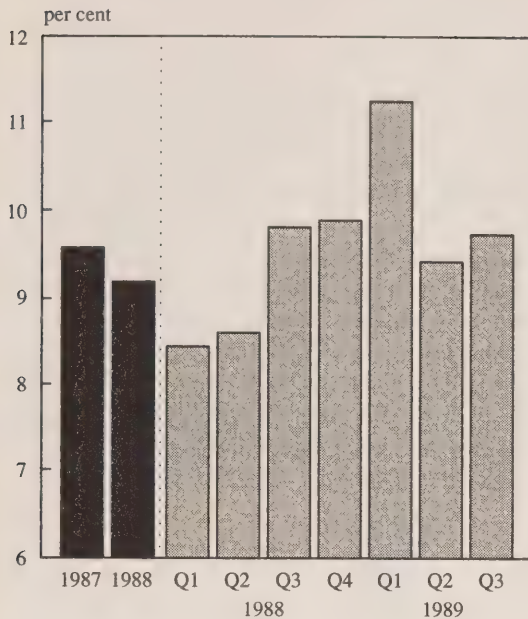


Personal income growth slowed to an annual rate of 7.8% in the first three quarters of 1989 from average growth of near 9% in the previous two years (Chart 2.3). The decline in the growth of non-labour income primarily reflected slower growth of interest and investment income, as interest rates levelled off, and in some cases declined, after significant increases in 1988 and early 1989. Increased strike activity and declines in federal retroactive wage payments from high levels in the second quarter held back labour income growth in the third quarter.

Despite the slowing in personal income growth, personal disposable income in 1989 has been increasing at near last year's pace (Chart 2.4). This reflects increased tax refunds resulting from the 1988 Federal Income Tax Reform. The unusual timing of the refunds is evident in the high growth rate of disposable income in the first quarter and the subsequent drop-off in the second.

Chart 2.5

The Personal Savings Rate

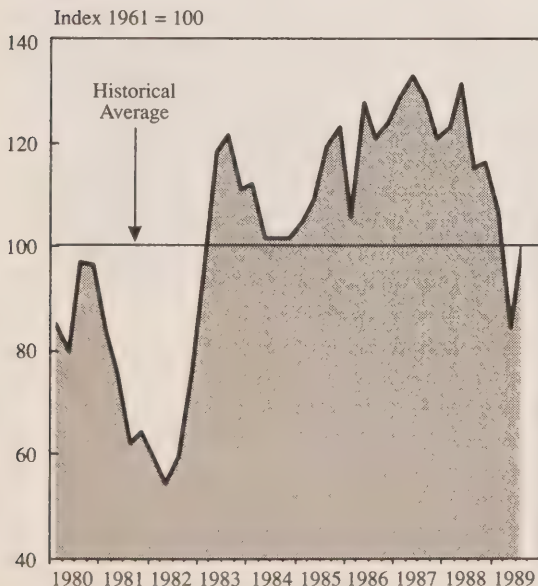


After declining considerably in the second quarter, personal savings climbed slightly to 9.7% of disposable income in the third quarter. The change in the savings rate in the first half of the year was influenced by the unusual timing of tax refunds, which had the effect of raising the savings rate in the first quarter and lowering it in the second quarter.

After adjusting for the timing of income tax refunds, the savings rate has remained close to 10% since the middle of 1988. The increase in the savings rate since late 1987 can partly be attributed to lower confidence among consumers and the effects of higher interest rates, which have led consumers to delay major discretionary purchases.

Chart 2.6

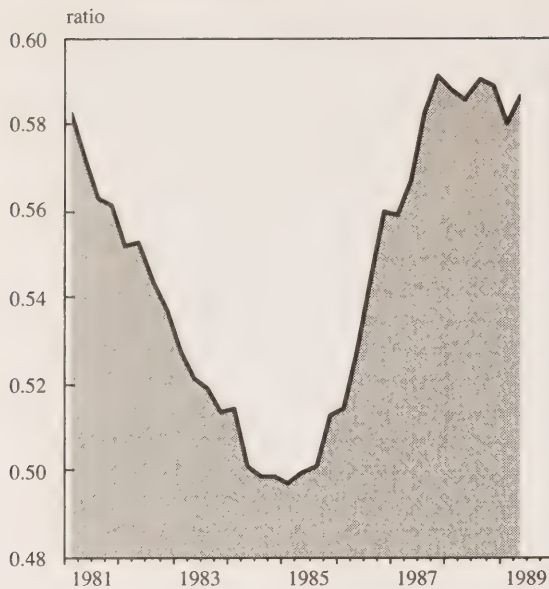
The Conference Board's Index of Consumer Attitudes



A recent Conference Board of Canada survey on consumer attitudes indicated that consumer confidence in the overall economic situation increased substantially in the third quarter to equal its historical average. Despite this increase, consumer confidence remains well below the high levels observed over the 1985-1988 period. High interest rates and the slowdown in economic growth compared to the rapid rate in recent years are factors often cited as contributing to a lower level of consumer confidence in recent quarters.

Chart 2.7

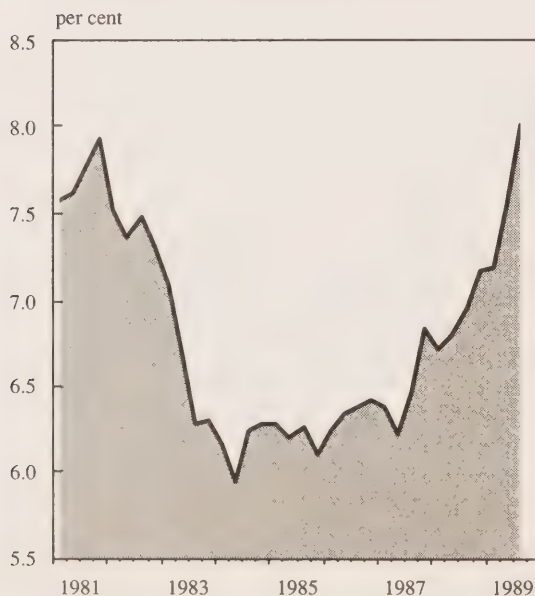
**Personal Debt Relative
to Financial Assets**



The drop in the Conference Board's Consumer Attitudes Index in the past two years can also partly be attributed to the high debt load of consumers. Rapid and sustained growth in discretionary purchases by consumers, including automobiles, furniture and home appliances, as well as in housing investment, has led to a large increase in personal debt. The ratio of consumer and mortgage debt to financial assets reached an unprecedented high in the fourth quarter of 1987, and has remained at a high level despite a recent decline in the growth rate of consumer spending.

Chart 2.8

**Interest Costs on
Consumer and Mortgage Credit
Relative to Disposable Income**

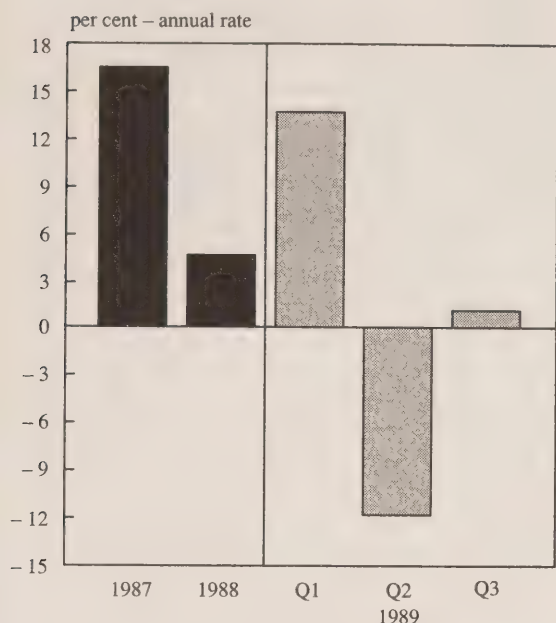


The ratio of interest payments on consumer and mortgage loans to personal disposable income has increased rapidly in recent years. This ratio reached its highest level on record in the third quarter. This situation reflected both the rise of interest rates over the last few years and the high and rising level of personal debt.

3. Housing Sector

Chart 3.1

Change in Real Residential Investment



Real residential investment recovered modestly in the third quarter, following the large decline in the second quarter. The third quarter growth was entirely due to a considerable rebound in the volume of real estate commissions, reflecting the strong recovery in the resale housing market in the third quarter. Investment spending on new housing construction declined significantly for the second consecutive quarter, due to the lower average level of housing starts in the past two quarters. Spending on alterations and improvements decreased in the third quarter, for the first time since the end of 1986.

Chart 3.2

Contribution to Growth in Real Residential Investment by Category

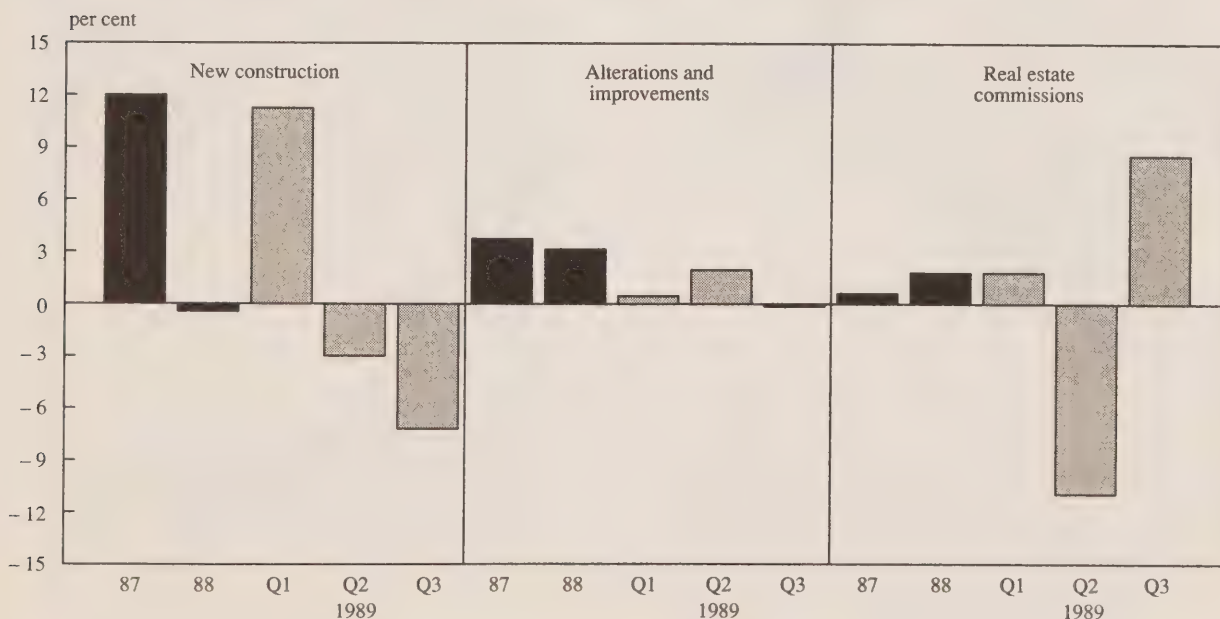
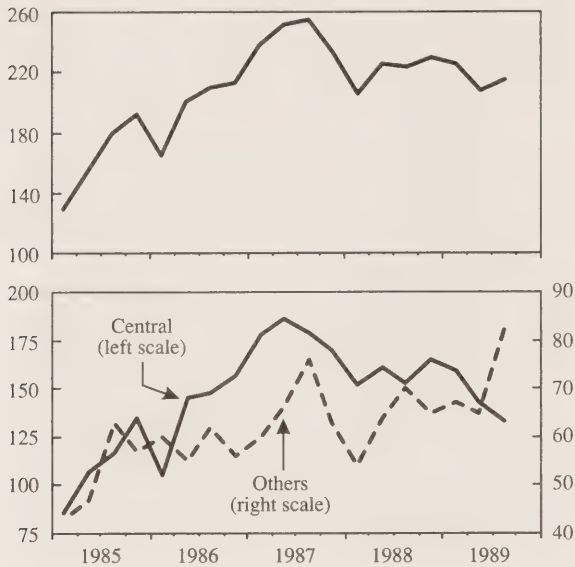


Chart 3.3

Housing Starts in Canada

thousands of units – annual rate

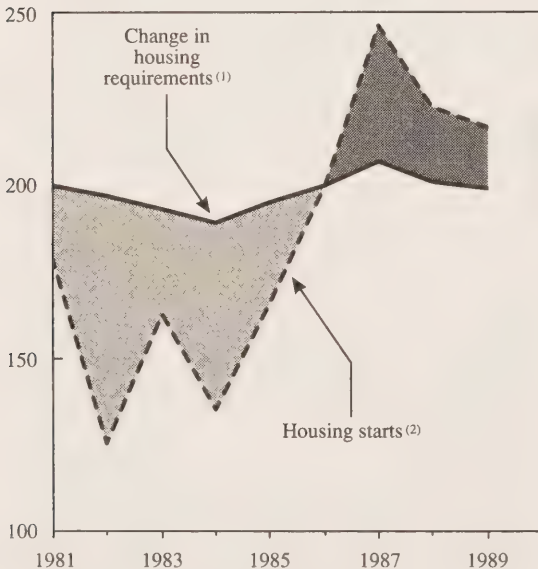


Housing starts have varied little over the last two years. In the third quarter, housing starts rose slightly to 215,000 units (annual rate). The continuing high level of housing starts in recent quarters has reflected increased residential construction activity outside Central Canada, as housing starts have declined noticeably in Ontario and Quebec since the end of 1988. The strong economic growth and net migration to British Columbia, the return to a normal farm production year in the Prairies, and low vacancy rates are all factors contributing to increased housing activity in the West.

Chart 3.4

Housing Starts and Change in Housing Requirements

thousands



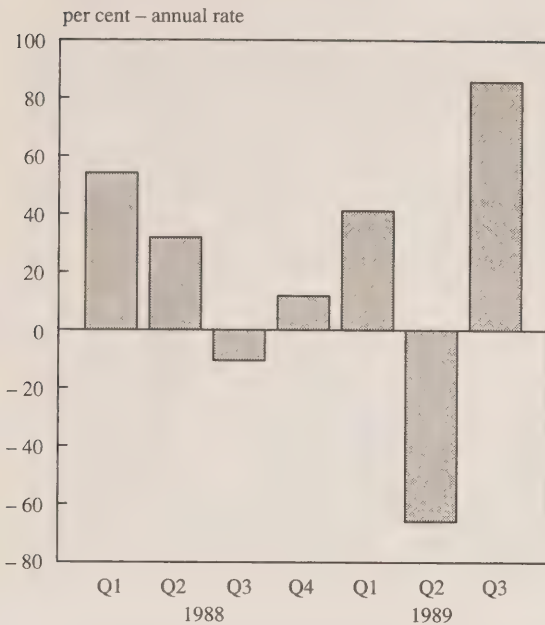
Housing starts continued to exceed the growth of housing requirements (according to estimates based on household formation and replacement of demolished housing) for the third consecutive year. The high level of activity in 1989 to date continues to be sustained by the considerable demand that accumulated in the first half of the 1980s.

⁽¹⁾ Department of Finance estimates.

⁽²⁾ Total housing starts for 1989 are an average of the first 10 months.

Chart 3.5

Change in Housing Sales in Canada*

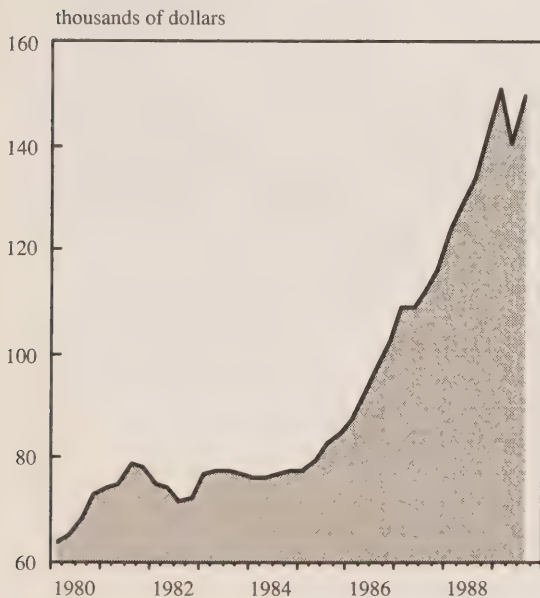


*From Multiple Listing Service and seasonally adjusted by the Department of Finance.

Sales of existing houses rebounded in the third quarter following a substantial decline in the second quarter, but remained below the peak reached in the first quarter of 1989. The recent decrease in mortgage loan rates, especially for medium- and long-term loans, as well as a recovery in consumer confidence in the third quarter, were factors in this recovery.

Chart 3.6

Selling Price of Existing Houses*

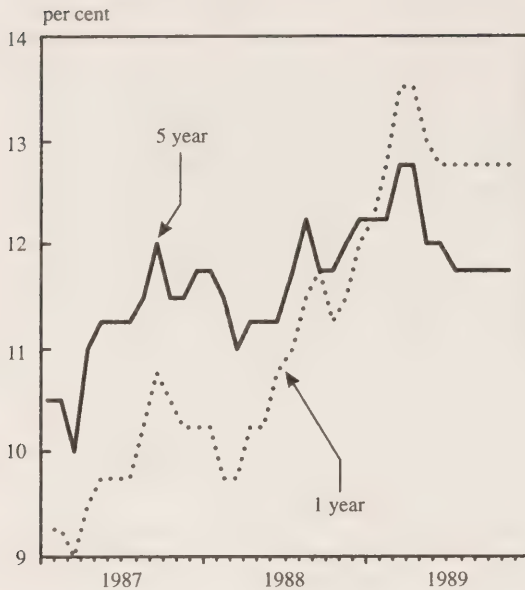


*From Multiple Listing Service and seasonally adjusted by the Department of Finance.

The strong demand for existing houses in recent years has led to substantial increases in housing prices. However, since the first quarter of 1989, the resale price of houses has declined slightly, reflecting reduced housing sales.

Chart 3.7

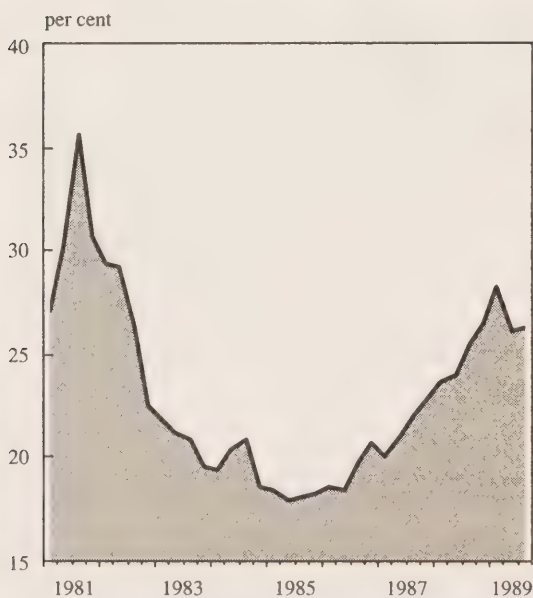
Mortgage Rates



Changes in mortgage rates played an important role in the recent fluctuation of housing demand. The substantial decrease in demand for new and existing houses in the second quarter corresponded to mortgage rates reaching their highest level in four to six years. The 75 to 100 basis point decline in mortgage rates since then has stimulated housing demand.

Chart 3.8

Housing Affordability* (Mortgage Cost Relative to Disposable Income)



* Department of Finance estimates.

The mortgage burden related to buying a house increased slightly in the third quarter. This reflected the rise in housing prices which was not fully offset by the decline in mortgage rates and rise in disposable income.

4. Business Investment and Inventories

Chart 4.1

Change in Real Business Fixed Investment

per cent – annual rate

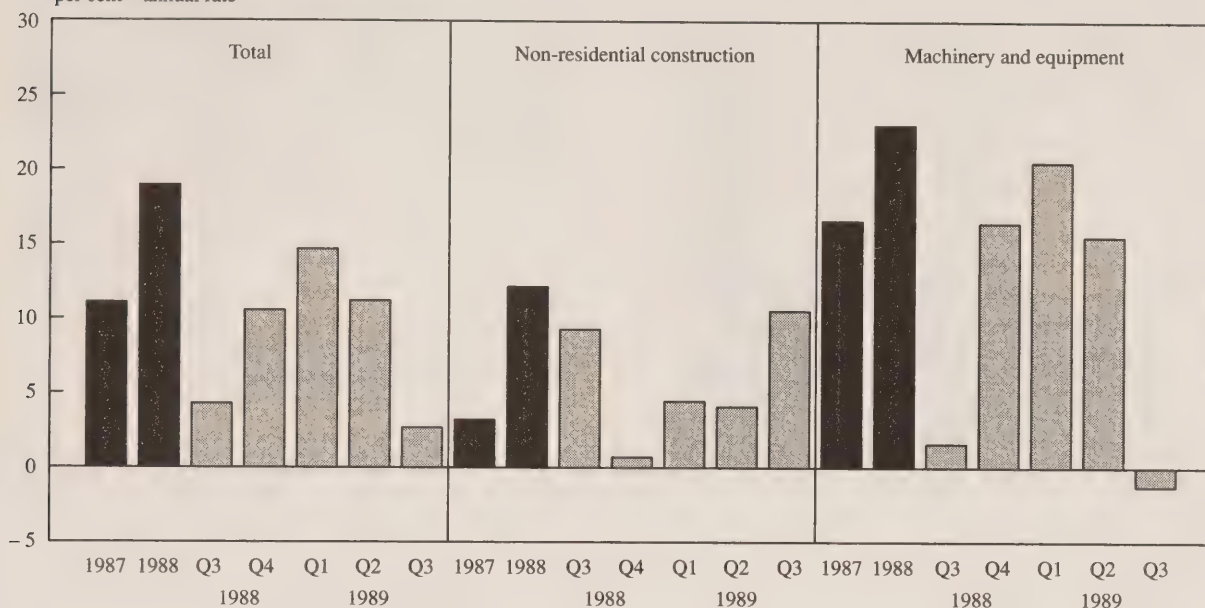
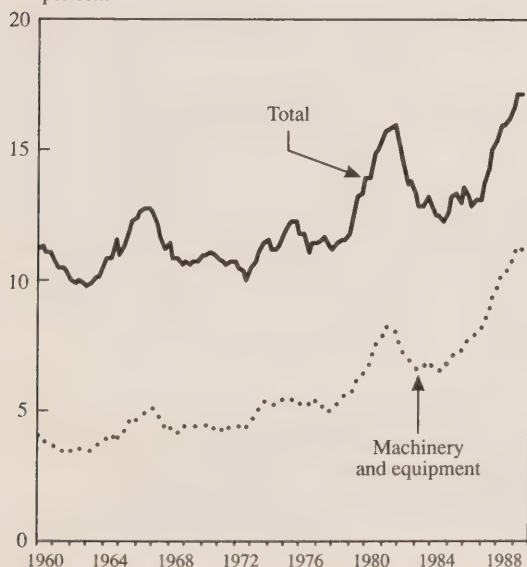


Chart 4.2

Real Business Investment Share of GDP

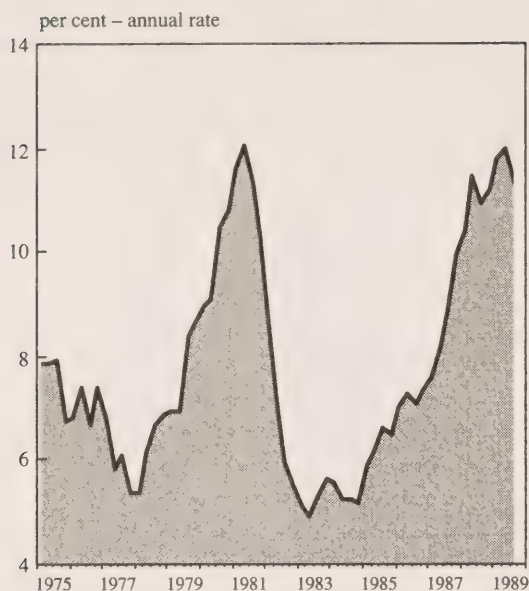
per cent



Real non-residential business investment growth weakened significantly in the third quarter, the result of a decline in machinery and equipment expenditures (Chart 4.1). Nonetheless, growth in real machinery and equipment investment is strong for the three quarters of 1989 – expenditures have increased 11.2% (annual rate) since year-end 1988. In addition, spending remains at a very high level, near its historical peak as a share of total GDP. Non-residential construction activity posted a moderate rebound in the third quarter, despite continued softness in the oil and gas industry (where drilling activity is 40% below the level of a year ago). Except for the oil and gas sector, the third quarter increase in non-residential investment was widespread across most industries.

Chart 4.3

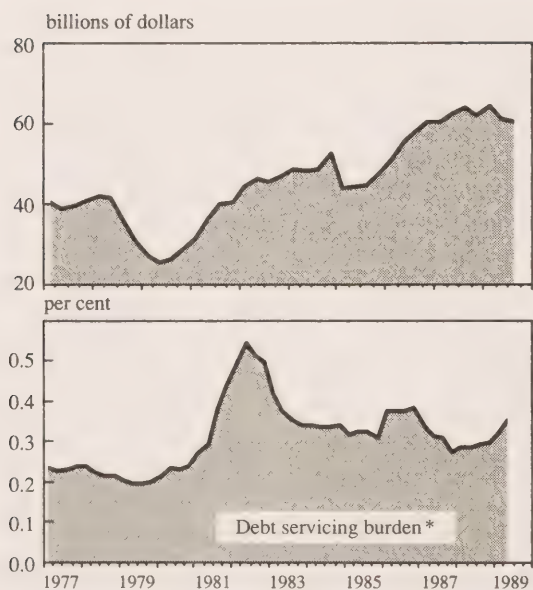
Real Capital Stock Growth Machinery and Equipment



In spite of the decline in machinery and equipment investment in the third quarter, spending remains at a level sufficient to sustain a strong rate of growth in the capital stock. During the past two years, the machinery and equipment capital stock has been expanding at an annual rate in excess of 10%.

Chart 4.4

Pre-Tax Corporate Profits

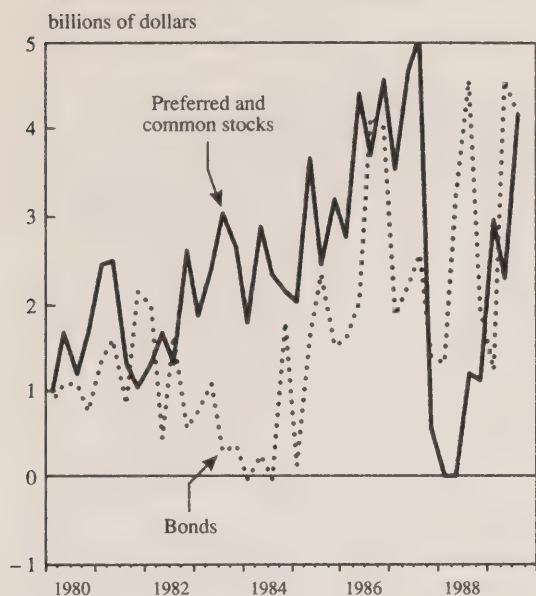


* Large industrial corporations.

Pre-tax corporate profits posted their second consecutive decline in the third quarter, the first back-to-back quarterly declines since 1982. However, these recent declines follow a period of strong profit growth, such that balance sheets – while not improving – remain generally healthy. The third quarter deterioration generally mirrored second quarter developments, with metal mining and processing, manufacturing, mineral fuels and refining, utilities and chartered banks leading the decline. The effect of this recent decline in corporate profitability is reflected in the weakness in capital spending in the third quarter, as a rising debt servicing burden may be forcing firms to reduce investment commitments.

Chart 4.5

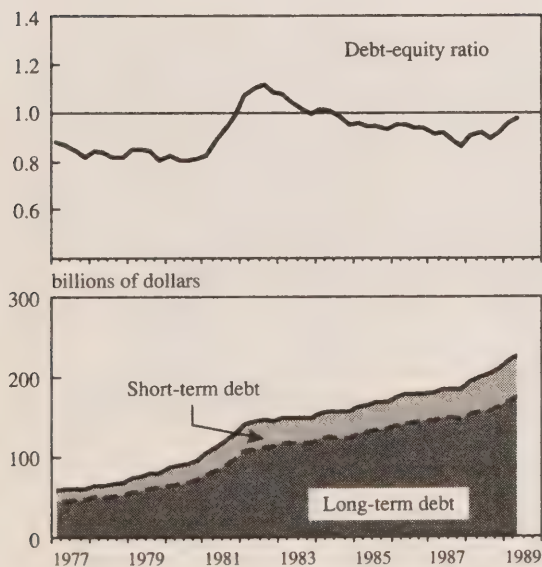
Net New Corporate Securities Issued in Canada and Abroad



New equity issues have posted a strong recovery since the correction in stock markets in late 1987. Yet, in addition to this rebound in equity financing, Canadian corporations have continued to rely heavily on both long- and short-term debt to sustain the strong pace of capital spending.

Chart 4.6

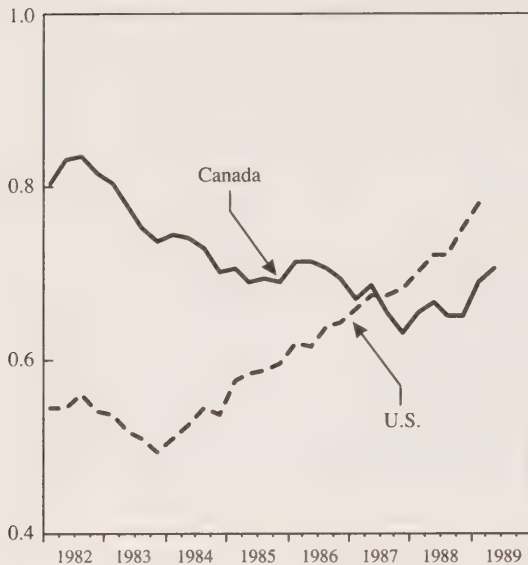
Large Industrial Corporations



The consequent rise in leverage has underwritten an increase in productive capacity rather than financing excessive inventory holdings or leveraged buy-outs. This will contribute to an improvement in corporate financial positions in two ways. First, the new capital stock's more modern technology will generate efficiency gains which will lower unit costs of production. Second, it will enhance exporters' international competitive position, leaving firms better positioned to take advantage of market opportunities.

Chart 4.7

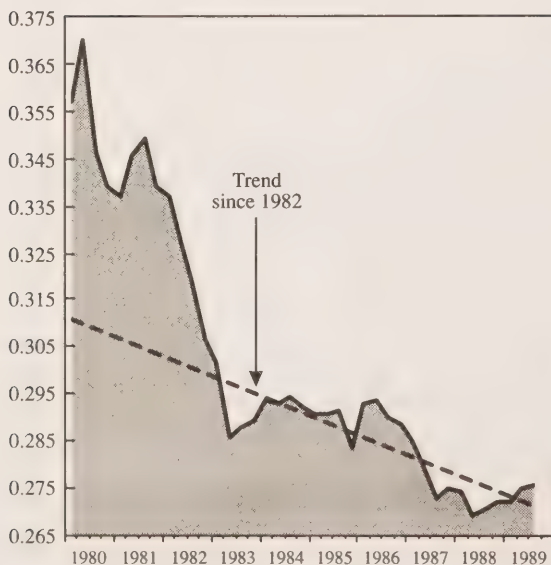
**Debt-to-Equity Ratio
for Canada and the U.S.
(Mining, Manufacturing and Trade)**



Although the debt-equity ratio of Canadian corporations has risen recently, it remains lower than that of their U.S. counterparts. The steady rise in Canadian leverage since late 1987 follows a sustained decline during the preceding five years. In contrast, U.S. corporations have become increasingly leveraged since late 1983, and debt-equity positions are now at their highest level ever. Moreover, while the recent rise in Canadian debt-equity positions was incurred in order to expand Canada's productive capital base, U.S. developments have largely been a function of significant debt requirements associated with leveraged buy-out activity. Indeed, the rise in the U.S. debt-equity ratio has been exacerbated in recent years by a net retirement of equity as a result of takeover activity.

Chart 4.8

**Non-Farm Business
Inventory-to-Sales Ratio**

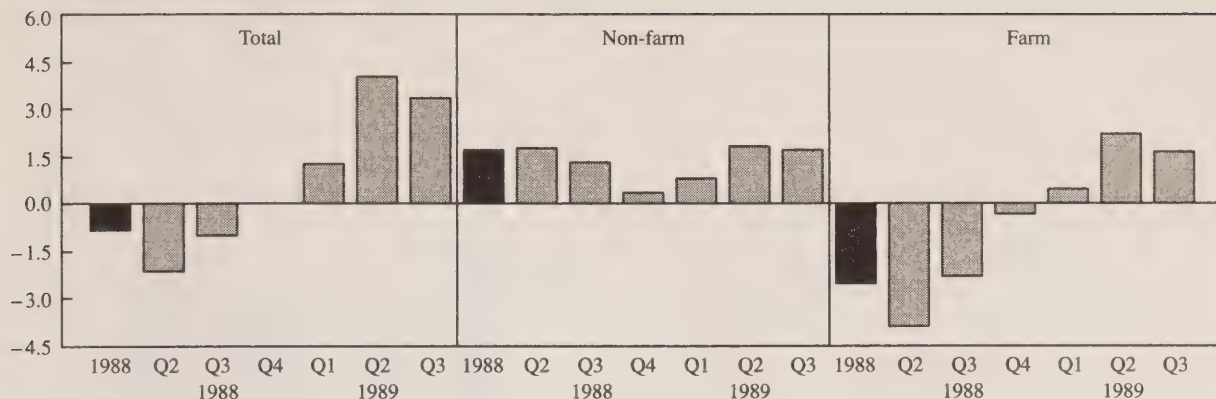


The significant decline in desired inventory holdings relative to sales since 1982 has helped to reduce the vulnerability of corporations to interest rate developments and changing economic conditions. Presently, inventory-to-sales positions are estimated to be slightly above desired levels. The degree of inventory overhang, however, is not large by historical standards.

Chart 4.9

Real Business Inventory Investment

billions of 1981 dollars – annual rate



The rate of inventory investment slowed in the third quarter due largely to a smaller accumulation by the farm sector. Additions to farm-held inventories were smaller relative to the second quarter as farmers increased their shipments to meet strong export demand.

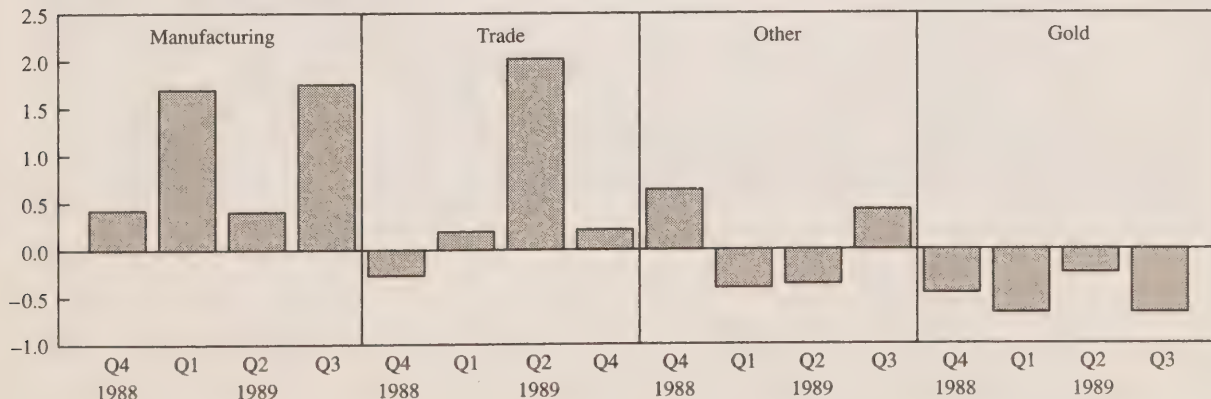
Within the non-farm sector, smaller additions to trade inventories in the third quarter were countered by increased accumulations among manufacturers. For the latter, this acceleration in inventory investment followed a modest rate of accumulation in the second quarter, and was

concentrated mainly in the primary metals, motor vehicles and electrical products industries. The small additions to trade sector inventories in the third quarter, on the other hand, follow significant accumulations in the previous quarter. Continued strong rates of inventory investment by machinery and equipment wholesalers (a reflection of weak investment spending in the quarter) and non-auto retailers were largely offset by a decline in auto inventories at the end of the third quarter as promotional incentives were reintroduced in September.

Chart 4.10

Non-Farm Business Inventory Investment

billions of 1981 dollars – annual rate

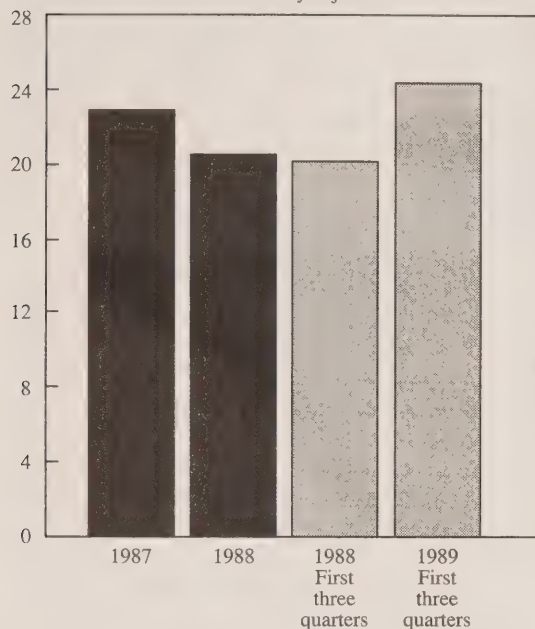


5. Government Sector

Chart 5.1

Federal Deficit (CIEA Basis)

billions of dollars – seasonally adjusted at annual rate



The federal deficit increased to \$24.3 billion at an annual rate in the first three quarters of 1989 from \$20.2 billion recorded in the same period of 1988. The increase in the deficit was entirely attributable to increases in public debt charges.

Revenues rose 5.5% in the first three quarters of 1989 compared to the same period a year ago. Among revenue sources, indirect tax receipts rose most rapidly, 13.2% in part reflecting increased tax rates introduced in the April 1989 budget. Personal direct tax revenues increased a modest 3.0% while direct taxes from corporations declined 3.3%. Expenditures rose 7.8% year over year, largely due to a substantial 17.8% increase in interest payments on the public debt. Transfers to other levels of government rose 5.2% while expenditures on goods and services and transfers to persons increased 5.0 and 4.6% respectively.

Chart 5.2

Change in Federal Government Revenues and Expenditures in the First Three Quarters of 1989 (CIEA Basis)

per cent – year over year

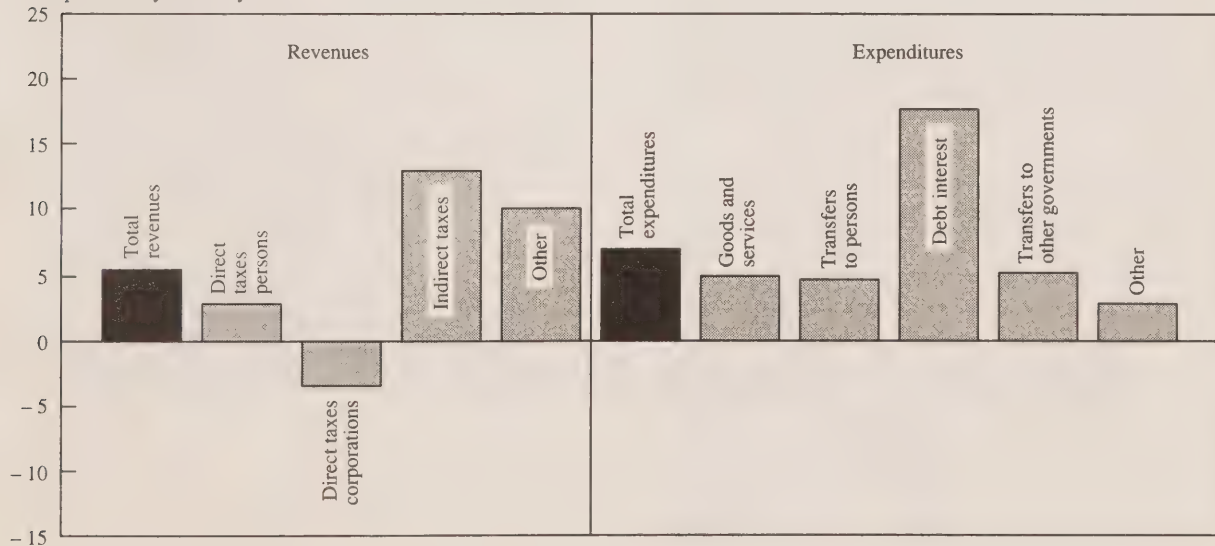
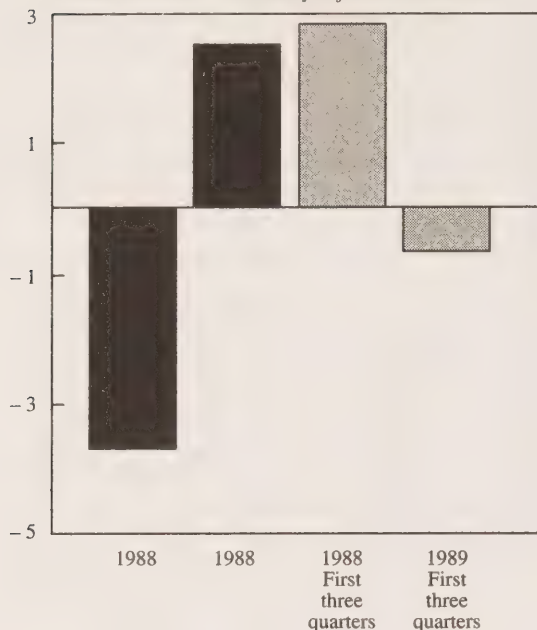


Chart 5.3

Provincial-Local Governments and Hospitals Balance (CIEA Basis)

billions of dollars – seasonally adjusted at annual rate



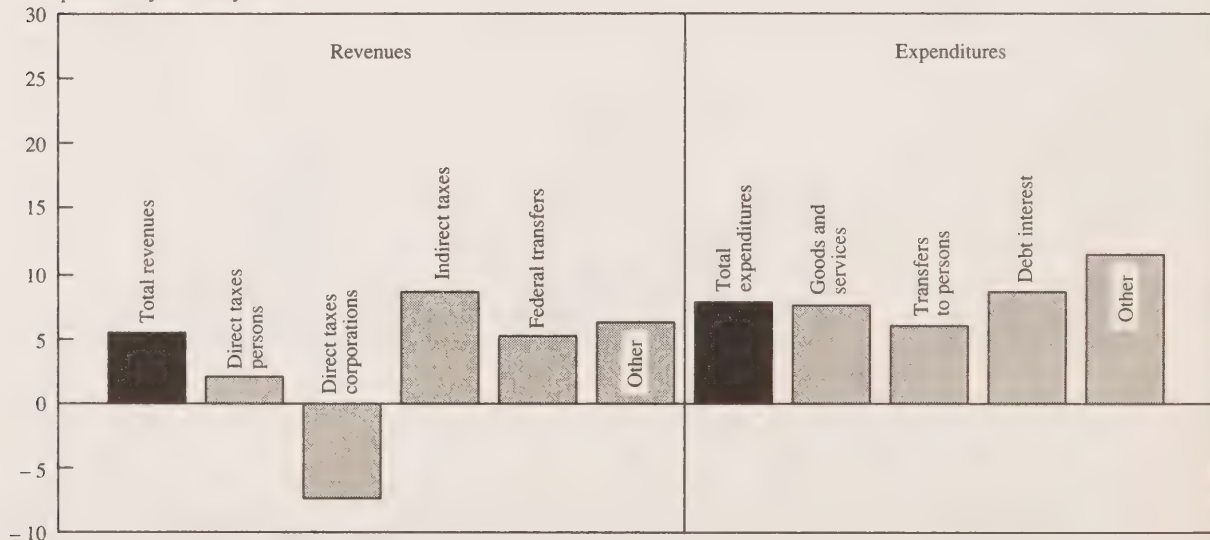
The balance of the consolidated provincial-local-hospital sector (PLH) worsened in the first three quarters of 1989 to a deficit of \$0.7 billion at an annual rate compared to a surplus of \$2.8 billion recorded in the first three quarters of 1988. This reflected both a slowing of revenue growth and a rise in the growth of expenditures.

Revenues of the PLH sector were 5.4% higher on average in the first three quarters of 1989 compared to the same period a year earlier. Year-over-year growth in 1988 was 11.5%. The moderation in revenue growth in 1989 was largely due to a 7.3% decline in corporate direct taxes and a modest 2.2% increase in personal direct taxes. Indirect tax receipts rose 8.6%. Expenditures rose 7.9%, led by an 11.4% increase in other expenditures. This increase occurred largely in programs for homeowners (interest rate relief in Saskatchewan and home renovation programs in Alberta and Saskatchewan) as well as increased building construction. Debt interest payments increased 8.7%.

Chart 5.4

Change in Provincial-Local Governments and Hospitals Revenues and Expenditures in the First Three Quarters of 1989 (CIEA Basis)

per cent – year over year



6. Foreign Trade

Chart 6.1

Current Account Balance by Component

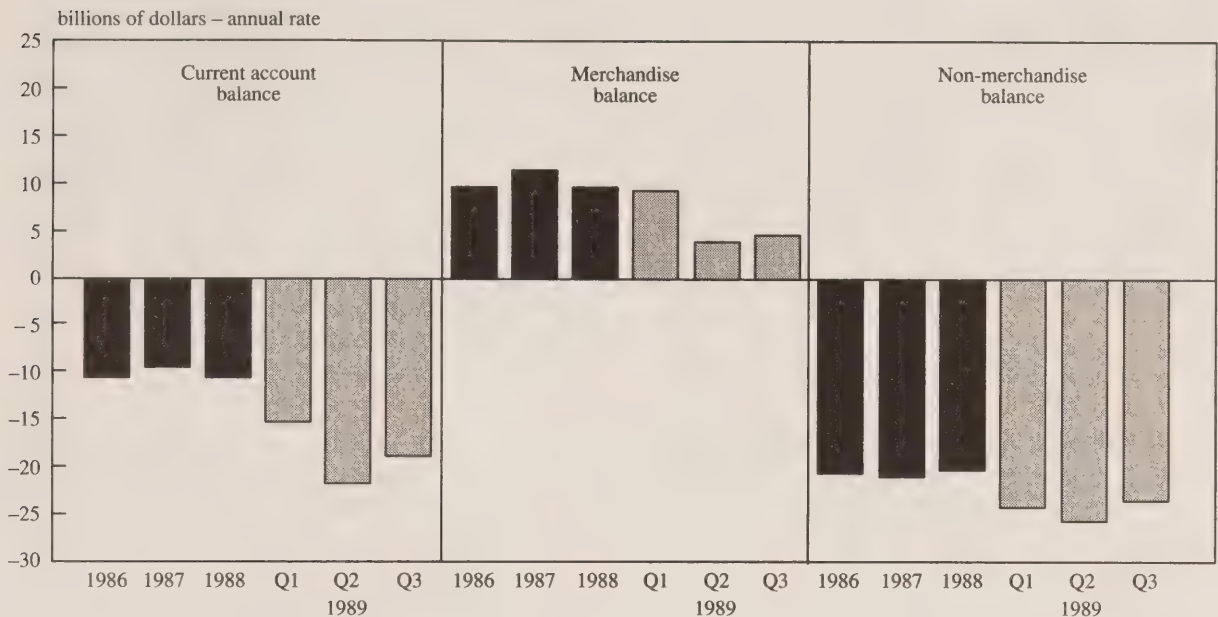
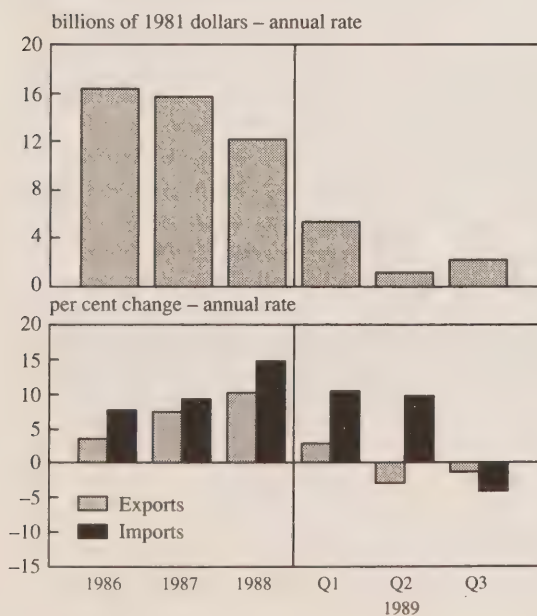


Chart 6.2

Real Merchandise Trade

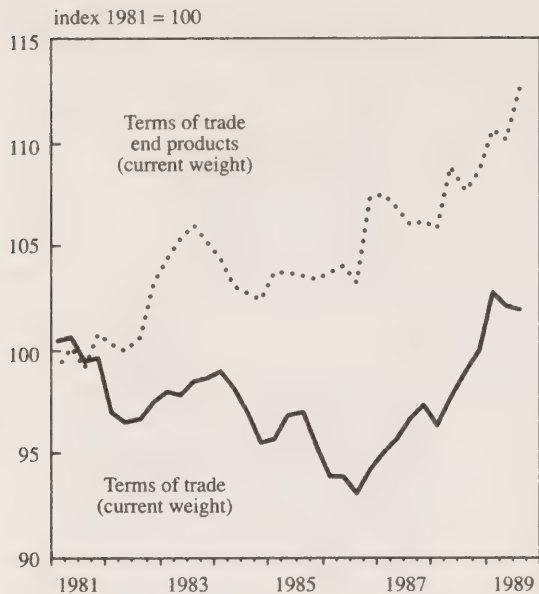


The current account deficit fell in the third quarter (Chart 6.1) to \$18.8 billion from \$21.6 billion in the previous quarter, as both the merchandise and the non-merchandise balances improved. The merchandise surplus increased to \$4.8 billion, while a gain of \$1.2 billion in net receipts of inheritances and immigrants' funds contributed to an improvement of over \$2 billion in the deficit on non-merchandise transactions.

The real merchandise trade balance in the third quarter increased \$1.0 billion from its second quarter level, as the decline in real imports was larger than that in real exports (Chart 6.2). This enhanced real GDP growth by over three-quarters of a percentage point (annual rate). The decline in real imports reflects a slowing in the growth of final domestic demand, with real spending on consumer durables, especially on automotive products, declining. Also, machinery and equipment imports fell slightly in the third quarter, following several years of strong growth.

Chart 6.3

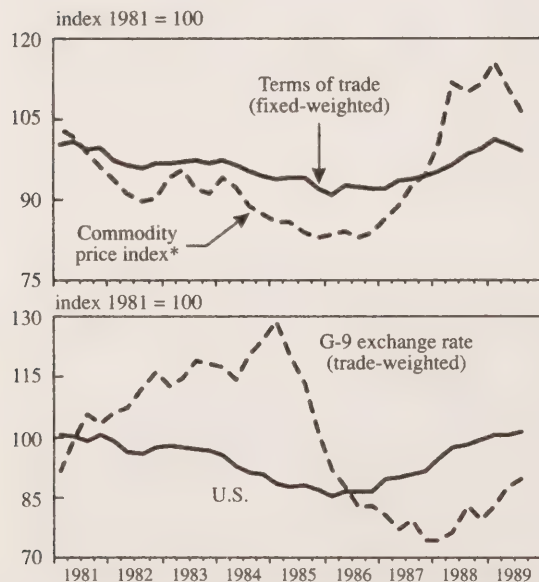
Merchandise Terms of Trade



The improvement in the real trade balance was greater than that in the nominal trade balance, as the terms of trade deteriorated in the third quarter. The overall deterioration in the terms of trade largely reflects a sharp drop in the terms of trade for agricultural products. In particular, the price of wheat has declined, as the worst of the impact of the 1988 drought on wheat production has passed. The deterioration in the overall terms of trade, however, was moderate, as there was a continuation in the improvement in the terms of trade for end products, such as machinery and equipment, consumer durables, and semi-durables.

Chart 6.4

Merchandise Terms of Trade Commodity Prices and Exchange Rates

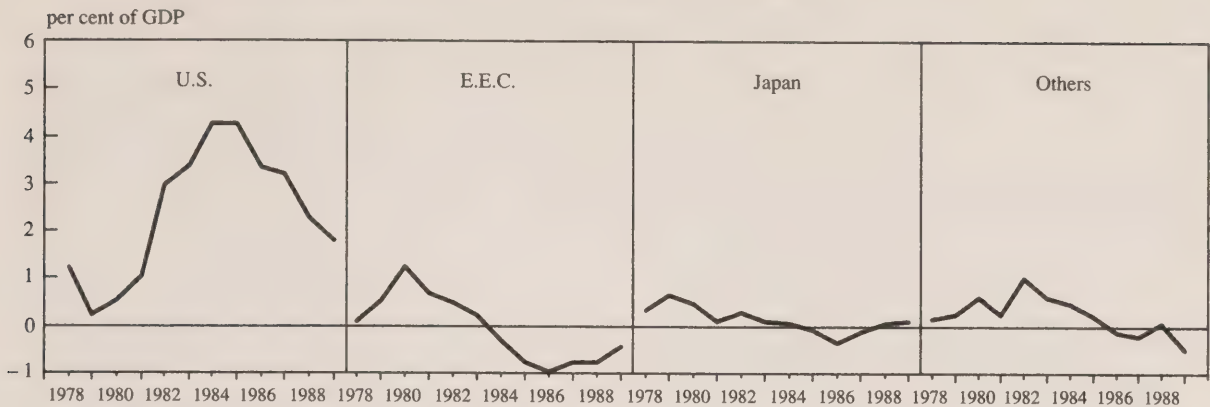


Declines in world commodity prices reflected declines in agricultural prices and in prices for metals and minerals. To date, however, the declines in non-agricultural commodity prices appear to have had similar impacts on both export and import prices, thus resulting in an almost neutral effect on the terms of trade. The appreciation of the Canadian dollar has had a limited impact on the terms of trade, as reduced profit margins for exporters and lower import prices had offsetting effects on the terms of trade.

* Source: Bank of Nova Scotia.

Chart 6.5

Canada's Merchandise Trade Balance by Principal Trading Area



The 1989 observations use data for the first three quarters of 1989.

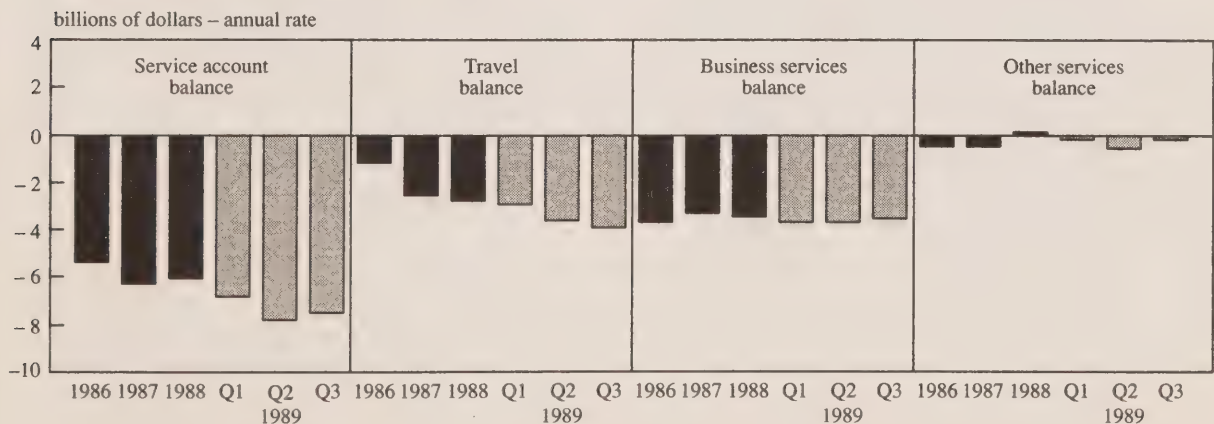
Canada's merchandise trade balance as a share of GDP remains below the large surpluses recorded during the early 1980s when weak investment spending led to a large decline in imports. In particular, the surplus with the United States as a percentage of GDP has declined, although it remains well above the levels of the late 1970s (Chart 6.5). The balance with the European Economic Community has gone from a surplus to a deficit position. Canada's importation of more North Sea oil from the United Kingdom has contributed to this development. The trade balance with Japan has changed very little, with a slight deterioration since the late 1970s. The trade

balance with other countries has worsened, with Canadian exports hampered by the international indebtedness of some countries.

The service account deficit improved slightly in the third quarter, despite a further worsening in the travel balance (Chart 6.6). While the balance on business services did improve slightly, the improvement in the overall service balance largely reflects a movement in the balance on other services. Most notably, the freight and shipping balance is back closer to its first quarter level, after a large deficit in the second quarter.

Chart 6.6

Service Account Balance by Component

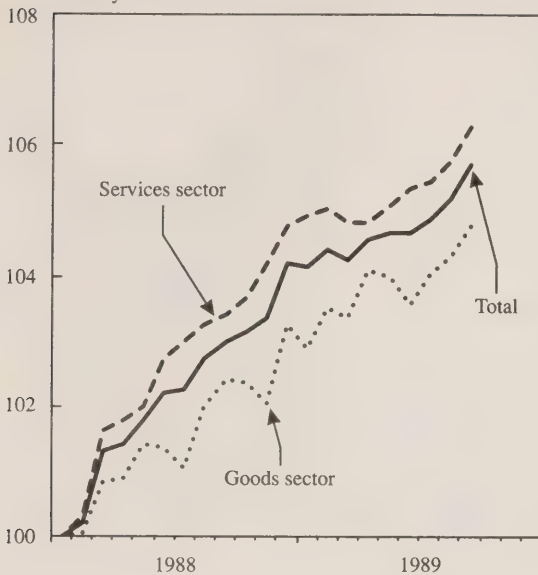


7. Output

Chart 7.1

Real GDP at Factor Cost

January 1988 = 100

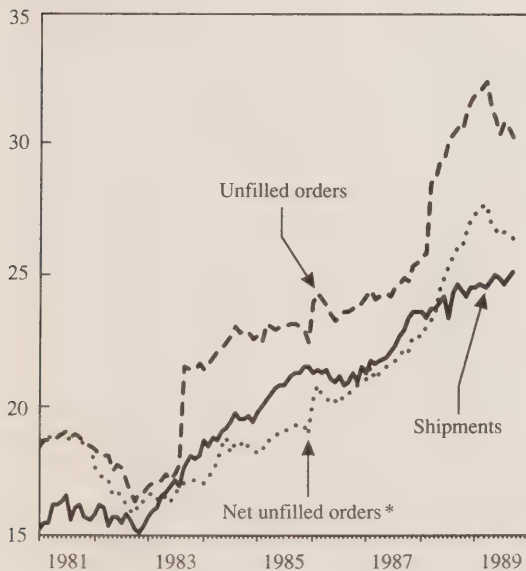


The rate of output growth has slowed in 1989, increasing at an annualized rate of 2.0% through the first three quarters of the year (compared to 4.3% during 1988). The sectoral performance underlying this slowdown has been varied. During the first four months of this year, virtually all output gains originated in goods producing industries, with services output changing little. Since May, however, the opposite situation has developed, with services industries posting strong gains, while goods output actually declined at mid-year, before recovering in the third quarter. Generally, the mid-year weakness in goods production was centered in resource industries, construction and interest-sensitive consumer manufactures. Overall, manufacturing output has continued a steady expansion to date through 1989, as the backlog of unfilled orders continues to support shipments growth.

Chart 7.2

Manufacturing – Shipments and Unfilled Orders

billions of dollars



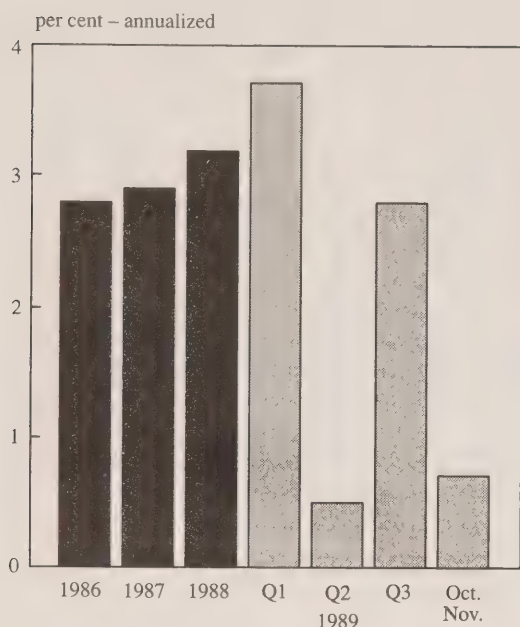
*Excludes shipbuilding.

The surge in final demand during 1988 pushed many firms to the limits of their productive capacity, such that manufacturing shipments were unable to keep pace with growing demand. As a result, the value of unfilled orders escalated, creating a backlog of approximately \$7.5 billion by early 1989. However, much of this backlog is concentrated in shipbuilding, and is a reflection of the “lumpy” nature of orders and long shipment lags in this industry. Excluding these manufacturers, the backlog of unfilled orders was a more modest \$3 billion early in 1989.

8. The Labour Market

Chart 8.1

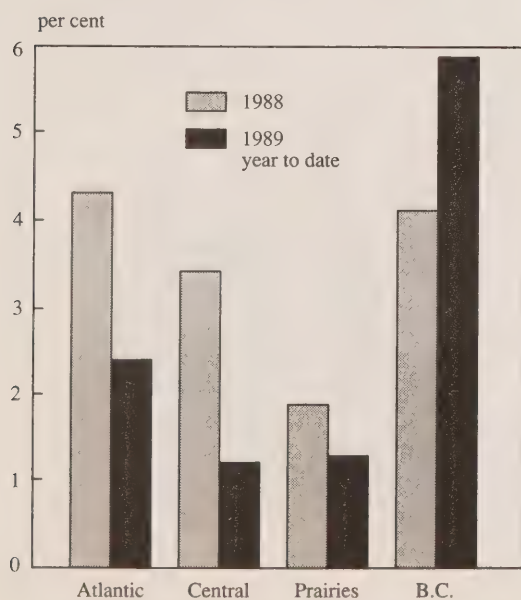
Employment Growth Rate



Although employment growth fluctuated considerably through the year, 216 thousand jobs were created in the first 11 months of 1989. This was the seventh consecutive year of strong employment gains. On an average annual basis, however, employment growth slowed to 2.0% from the average rate of 2.9% which occurred in the previous three years.

Chart 8.2

Regional Employment Growth

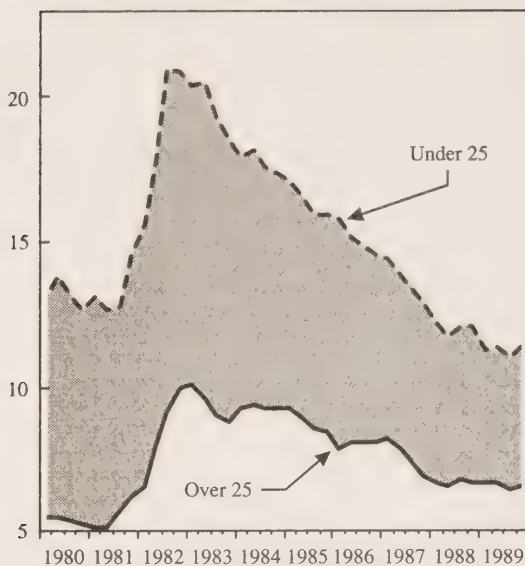


British Columbia has had by far the strongest employment growth in 1989 as a result of strong growth in the resource sector and increased net immigration. Between January and November, employment growth in British Columbia alone accounted for more than half of all employment gains in Canada. Employment growth in the Atlantic Provinces has also exceeded the national average in 1989, despite cutbacks in the fishing and fish-processing industries. Growth in Central Canada has been more moderate, as these provinces have encountered labour and production capacity constraints.

Chart 8.3

Unemployment Rates by Age

per cent – seasonally adjusted



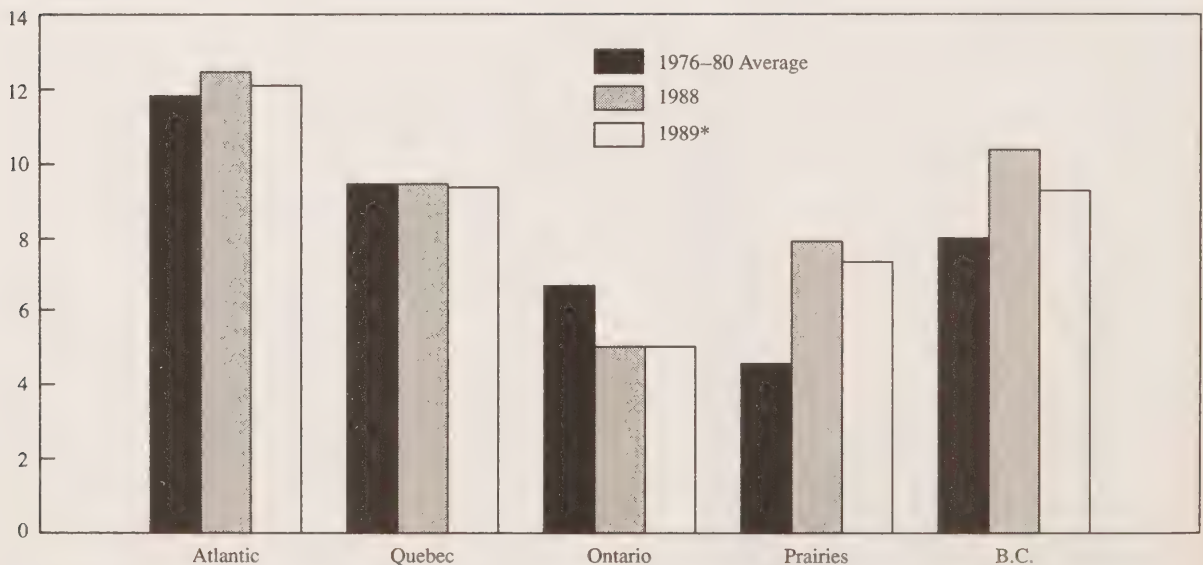
The unemployment rate continued its downward track in 1989, reaching an eight-year low in September before rising slightly in the next two months. Improving unemployment rates were particularly evident among youths (15–24), whose rate in 1989 was the lowest since 1974 (Chart 8.3). Although the adult rate was down slightly, it remained above pre-recession levels. As a result, the discrepancy between youth and adult unemployment rates is now at its lowest level since the 1960s.

On a regional basis, all of the improvement in unemployment rates occurred in the three regions that had not previously returned to pre-recession rates (Chart 8.4). The largest improvement took place in British Columbia, with smaller decreases in the Prairie and the Atlantic Regions. The regions which had already returned to pre-recession levels have had largely unchanged unemployment rates in 1989.

Chart 8.4

Regional Unemployment Rates

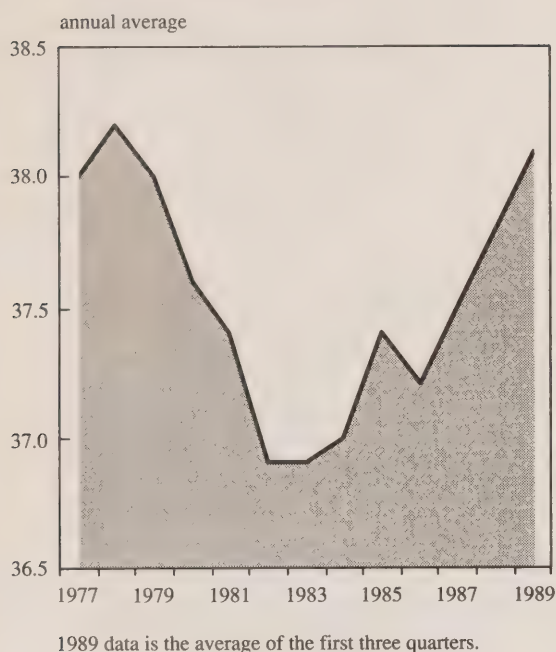
per cent



* Average of first 11 months of 1989.

Chart 8.5

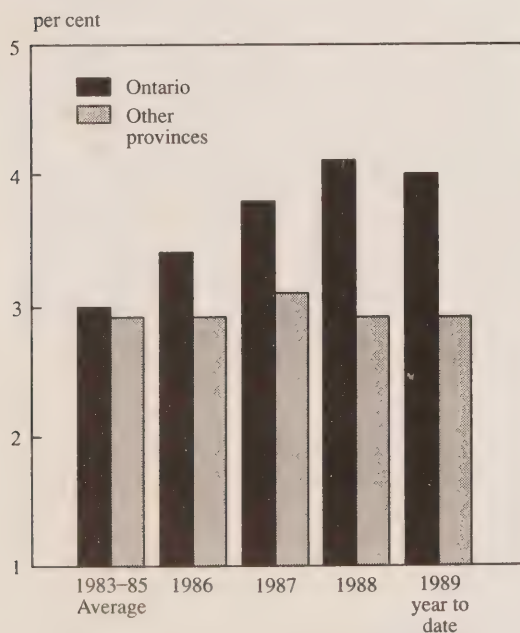
Average Weekly Hours for Industrial Workers



The combination of high demand for and a limited supply of recruits for industrial jobs led employers to require increasingly longer workweeks over the past four years. Workers in occupations directly linked to industrial production worked their longest workweeks on record in the third quarter of 1989, although the 1989 average to date is slightly below the annual average in 1978. Hours among workers in other occupations also increased, but to a lesser extent.

Chart 8.6

Overtime Share of Hours for Hourly Rated Workers



The overtime share of total hours worked remained high in Ontario in 1989 relative to that of the rest of the country. This suggests that the market is still tight, despite the easing of employment growth during 1989. On the other hand, the overtime share of hours worked in the rest of the country remained near its long-run average.

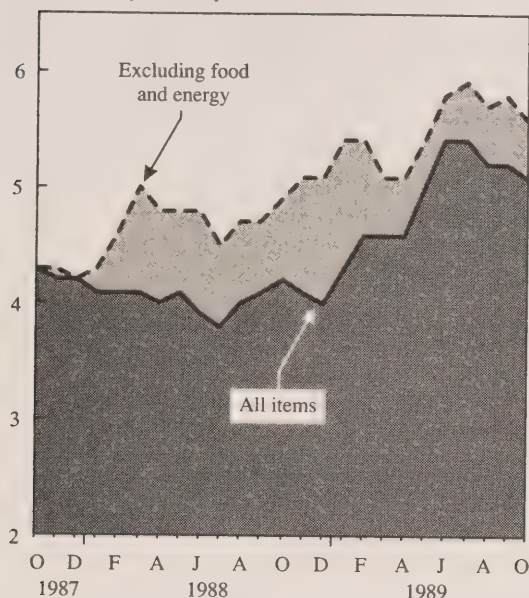
Source: Survey of Employment, Payrolls and Hours.

9. Price and Wage Sector

Chart 9.1

CPI Inflation

per cent – year over year

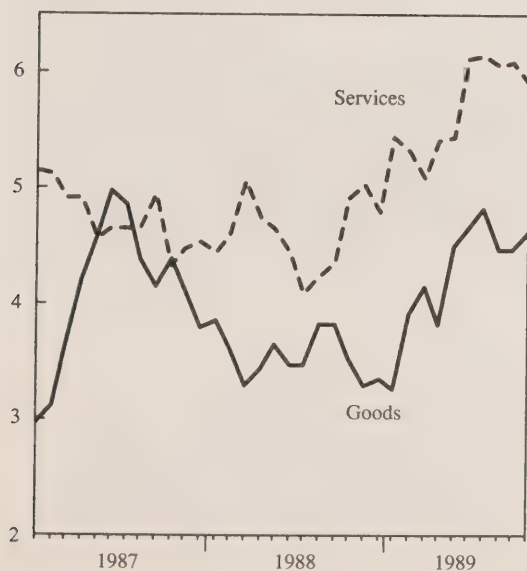


The CPI inflation rate eased in October – falling to 5.1%, after having reached 5.4% in June and July. The underlying rate of inflation (CPI excluding food and energy) declined to 5.6% in October from a high of 5.9% in July. The easing in the inflation rate largely represents a reduction in profit margins and does not reflect a widespread easing in cost pressures.

Chart 9.2

CPI Inflation Goods and Services

per cent – year over year

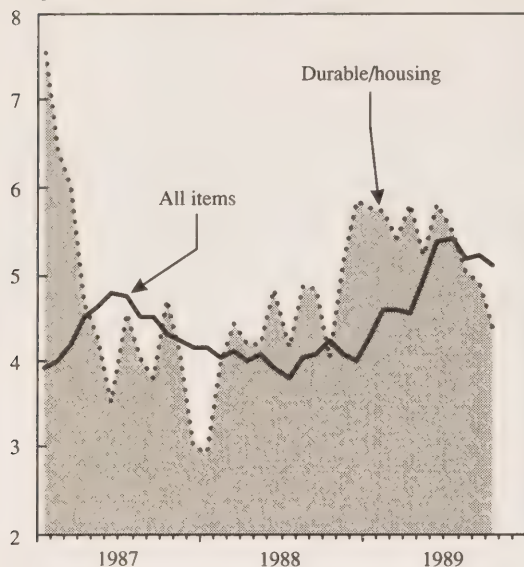


The CPI inflation rate had risen steadily since late 1988, before easing in the past three months. Goods inflation has shown some moderation recently, both on a year-over-year basis and, more noticeably, on an annualized monthly basis. Services inflation, on the other hand, has remained generally stable at around 6% in the past three months, and has shown little easing on an annualized monthly basis.

Chart 9.3

CPI Inflation of Durable and Housing Components

per cent – year over year

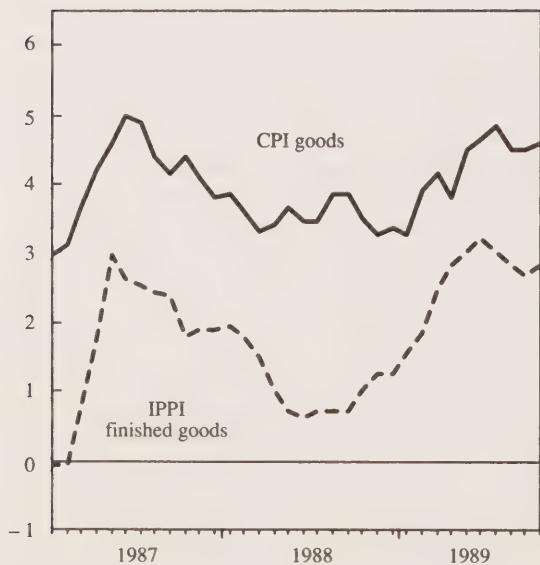


The effects of more moderate growth in the components of aggregate demand which are most sensitive to interest rates are beginning to be seen in prices. The inflation rate in a component of the CPI containing consumer durables and housing prices has eased to 4.4% (year over year) in October from 5.8% in June.

Chart 9.4

CPI-Goods versus IPPI-Finished Goods

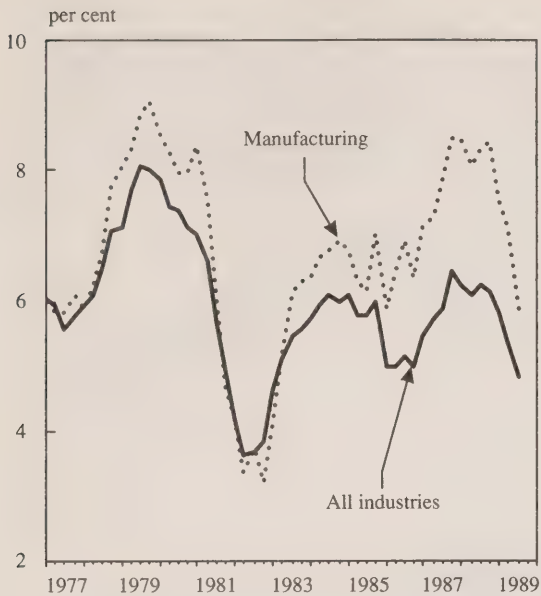
per cent – year over year



Changes in consumer goods prices are closely correlated with changes in finished goods producer prices. After having increased sharply in the past year, finished goods producer prices are also easing, and have actually remained flat in three of the last four months.

Chart 9.5

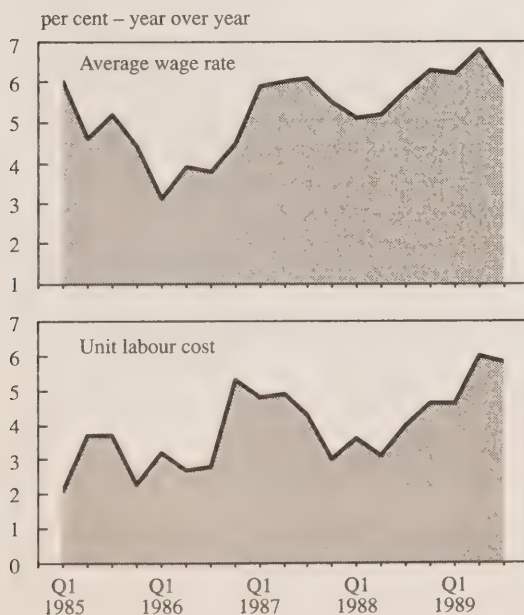
Corporate Profit Margin Universe of Industrial Corporations



The easing in aggregate demand, together with strong capital investment, has contributed to an easing in capacity constraints. Alongside increased import competition due to the high Canadian dollar, this has made it more difficult for firms to pass on increasing labour costs to consumers. This, in part, has led to a squeeze in profit margins, with the remainder due to the effects of the high Canadian dollar on export markets. Since the end of last year, the aggregate profit margin has fallen from 6.1 to 4.8%.

Chart 9.6

Average Wage Rate and Unit Labour Cost

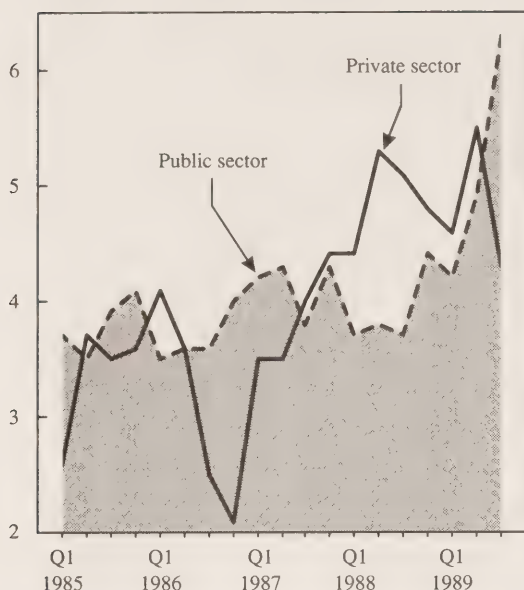


Increasing wage costs continue to be a major risk to a further improvement in underlying inflation. The average wage rate in the third quarter was almost 6% above its level one year ago. As labour productivity has declined on average over the last three quarters, unit labour costs have increased over the same period. In the third quarter, they were 5.8% above the same period last year. Increases in the average wage rate (the economy-wide labour income per employee), and consequently unit labour costs, moderated in the third quarter due partly to artificially high second quarter labour income (due to a number of retroactive payments) and strikes in the Quebec provincial government in the third quarter.

Chart 9.7

Wage Settlements

effective per cent increase in base rates

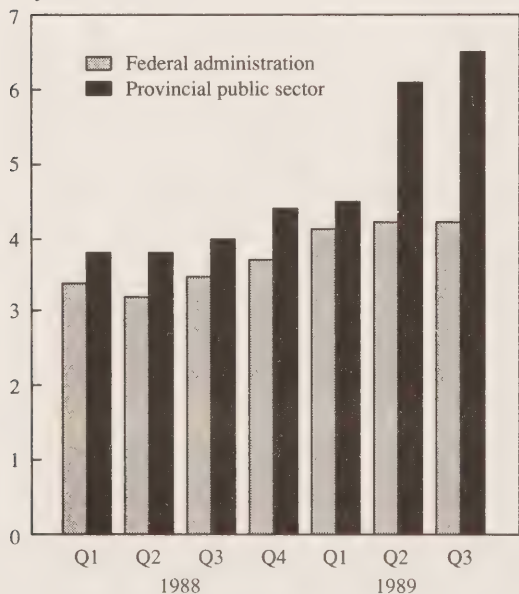


Wage settlements continued to escalate in the third quarter to reach 5.9%, the highest average wage increase in six years. The acceleration was due to public sector settlements (which averaged 6.3%), as private sector settlements declined sharply to 4.3%.

Chart 9.8

Federal Administration and Provincial Public Sector Wage Settlements

per cent – annual rate

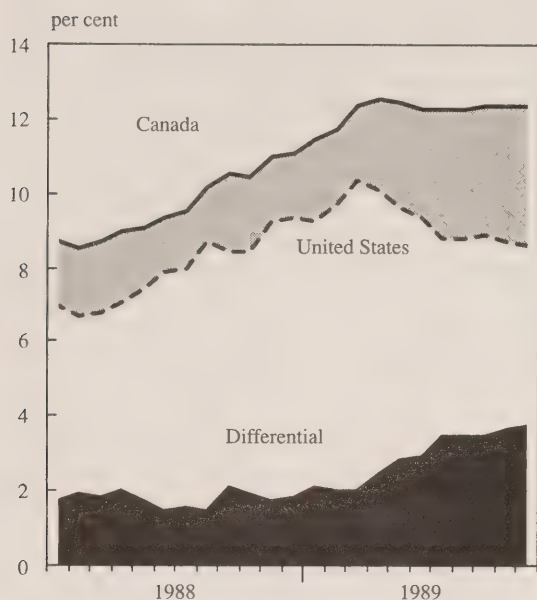


Public sector wage acceleration in the second and third quarters was led by high wage increases granted in provincial administration and in the health-welfare-and-education sector. Federal administration settlements have remained just above 4% since the beginning of the year, while agreements in the provincial public sector rose to 6.5% in the third quarter from an average 4.5% in the first quarter. This sharp acceleration reflected mainly high settlements in British Columbia and Ontario, where the average public sector settlements in the past two quarters were 8.6 and 6.8% respectively.

10. Financial Sector

Chart 10.1

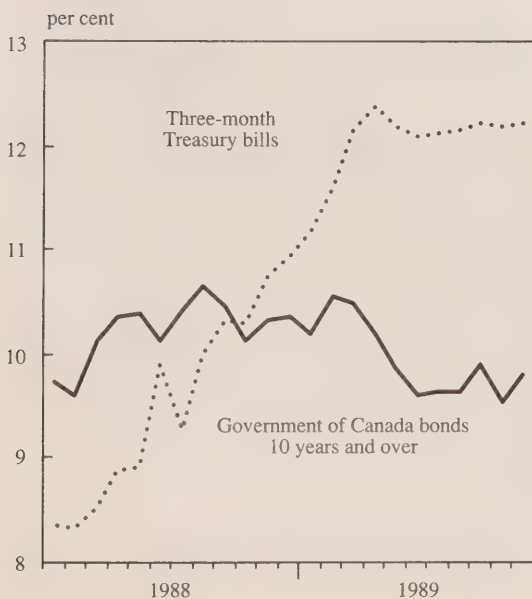
90-Day Commercial Paper Rate Differential



Since March, short-term interest rates in Canada have been more or less stable, with the 90-day commercial paper rate remaining around 12 1/4%. Over the same period, however, short-term rates in the United States have fallen. The U.S. 90-day commercial paper rate fell from 10.45% on March 22 to 8.53% on December 8. The drop in U.S. short-term rates has resulted in the differential between Canadian and U.S. rates increasing from 190 basis points at the end of March to 380 basis points on December 8.

Chart 10.2

Short- and Long-Term Interest Rates Since January 1988

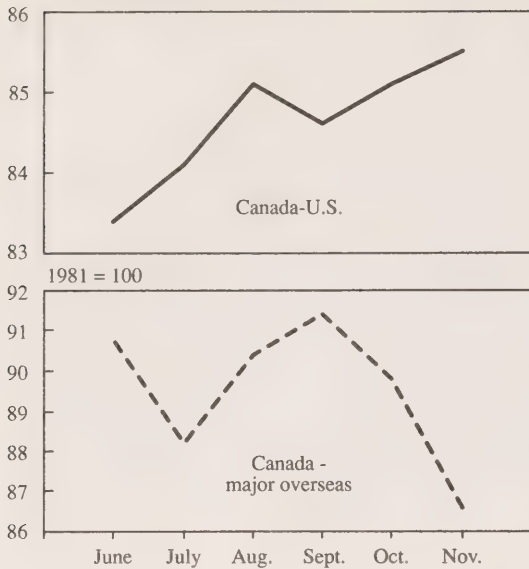


Long-term interest rates in Canada have been stable since June, with the yield on Government of Canada bonds ten years and over remaining just above 9 1/2%, approximately 100 basis points below the peak reached in August 1988. The term structure has been "inverted" in Canada since October 1988, with the spread between the long-term government bond rate and the three-month Treasury bill rate averaging approximately -250 basis points since June of this year.

Chart 10.3

Canadian Dollar in 1989 (noon spot)

U.S. cents / Canadian dollars

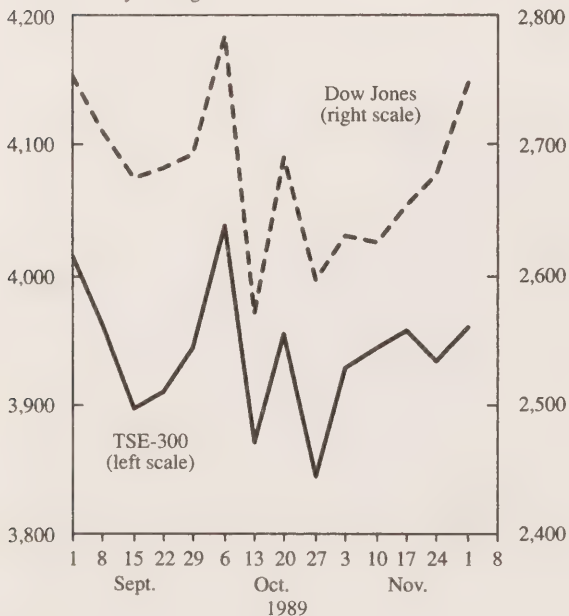


The rising short-term interest rate differential with the U.S. has played a role in the strength of the Canadian dollar against its U.S. counterpart. After losing some ground in early September, the Canadian dollar gained value in October and November, making for a total appreciation of U.S. \$0.025 since the end of June. Both the U.S. and Canadian currencies have fallen in value against overseas currencies since September, with the Canadian dollar falling 5.3% against a trade-weighted index of nine major overseas currencies.

Chart 10.4

TSE and Dow Jones Indexes Since September 1989

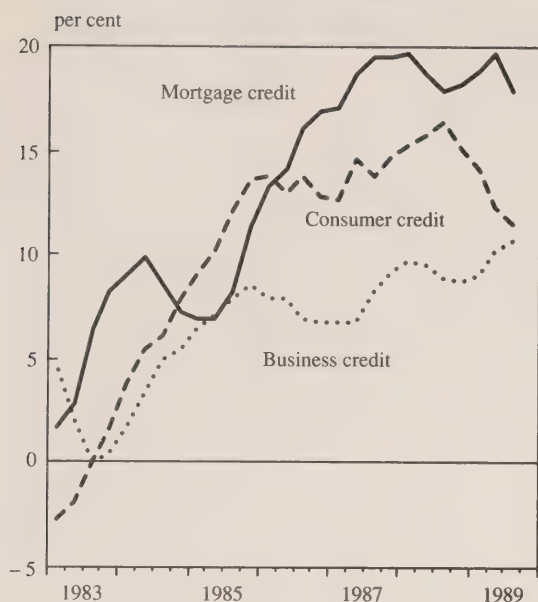
weekly closing values



A sharp decline in stock prices on Friday, October 13 – the Dow Jones and the TSE-300 indexes fell 191 points and 141 points, respectively – prompted fears in financial markets that another major drop in stock prices, similar to that witnessed in October 1987, was in prospect. The most recent decline, however, reflected the weakness in the market for high-yield (junk) bonds and the resulting uncertainty about corporate take-over activity. Since October 13, the Dow Jones index has made up roughly 85% of its October 13 loss, while the TSE-300 index has regained almost 80%.

Chart 10.5

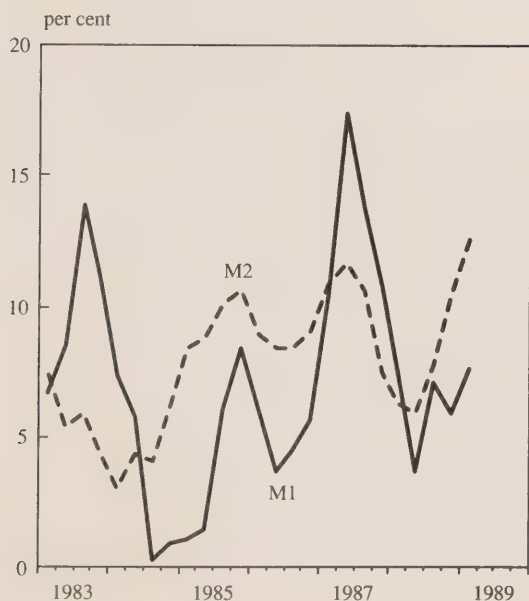
Credit Aggregates: Four-Quarter Growth Rates



The higher interest rates that have prevailed since the end of 1988 have not yet had a significant dampening effect on the strong growth rates of credit in Canada. The year-over-year rate of business credit growth, currently in the 10% range and rising, is at its highest rate since 1982. Growth in consumer credit, although declining from a peak established in the third quarter of 1988, is still in the 12% range, while mortgage credit growth, currently in the range between 18 and 20%, is at its highest rate since the end of the 1970s.

Chart 10.6

Monetary Aggregates: Four-Quarter Growth Rates



Money supply growth has been extremely volatile in Canada during the 1980s, reflecting both economic factors as well as structural changes in financial markets. More recently, since the beginning of 1988, the growth rate of M1 has continued to be volatile, while M2 growth has been steadily increasing.

Special Report

Prepared by:

Sheila MacDonald
Economic Analysis and Forecasting Division
Fiscal Policy and Economic Analysis Branch
Department of Finance.

*Views expressed in this special report represent
those of the author and should not be attributed
to the Department of Finance.*

11. The Department of Finance's Recent Forecasting Record

Introduction and Summary

The Department of Finance's economic projections are an integral part of fiscal planning. Because of this role, it is useful to examine the accuracy of the Department's forecasts. This report reviews the record for the forecasts published with the federal budgets over the years 1985 to 1988 and compares it with the actual outcomes and with the private sector's forecasting record. The forecasts for four key indicators – real GDP growth, the unemployment rate, the CPI inflation rate, and a short-term interest rate – are evaluated.

Overall, the Department's forecasts have been quite accurate, ranking second among 14 forecasters regularly surveyed by the Department. The consensus of private sector forecasters (an average of 14 private sector forecasts) ranked fourth. The Department has tended to *underestimate* the strength of the Canadian economy and *overestimate* the unemployment rate since 1985, a tendency it shares with most private sector forecasts. On inflation and interest rates the errors have been small on average.

Forecasts can be examined for both absolute and relative accuracy. In the first case, it is important to evaluate forecasts relative to the actual outcomes for key indicators and this is the subject of the next section. However, it is also important to evaluate the projections relative to those of other forecasters who were using the same information. This is the subject of section 2. The third section goes into more detail and analyzes the annual forecast errors for the 1985 to 1988 period. The results are summarized in a concluding section. There is also a brief Appendix to provide additional details on the methodology used to evaluate the accuracy of the forecasts.

The Department of Finance's Forecasting Record

This section compares the Department's forecasts to the actual outcomes for four key macroeconomic variables: real GDP growth, the unemployment rate, the CPI inflation rate and a short-term interest rate.

Chart 11.1

Real GDP Growth

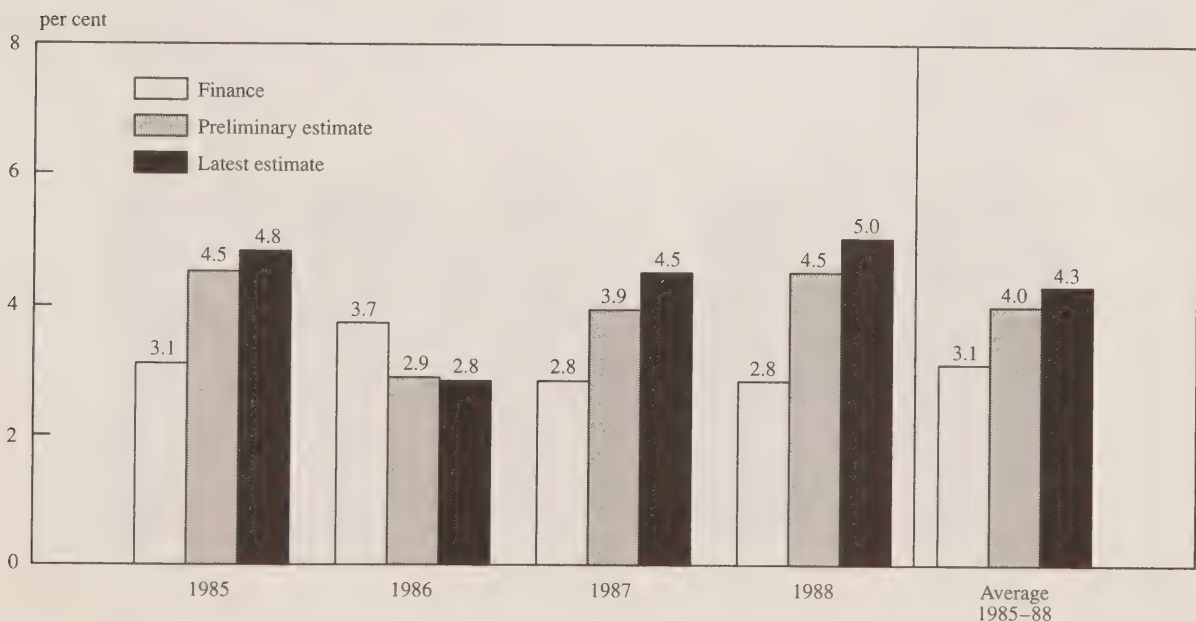


Chart 11.2

Unemployment Rate

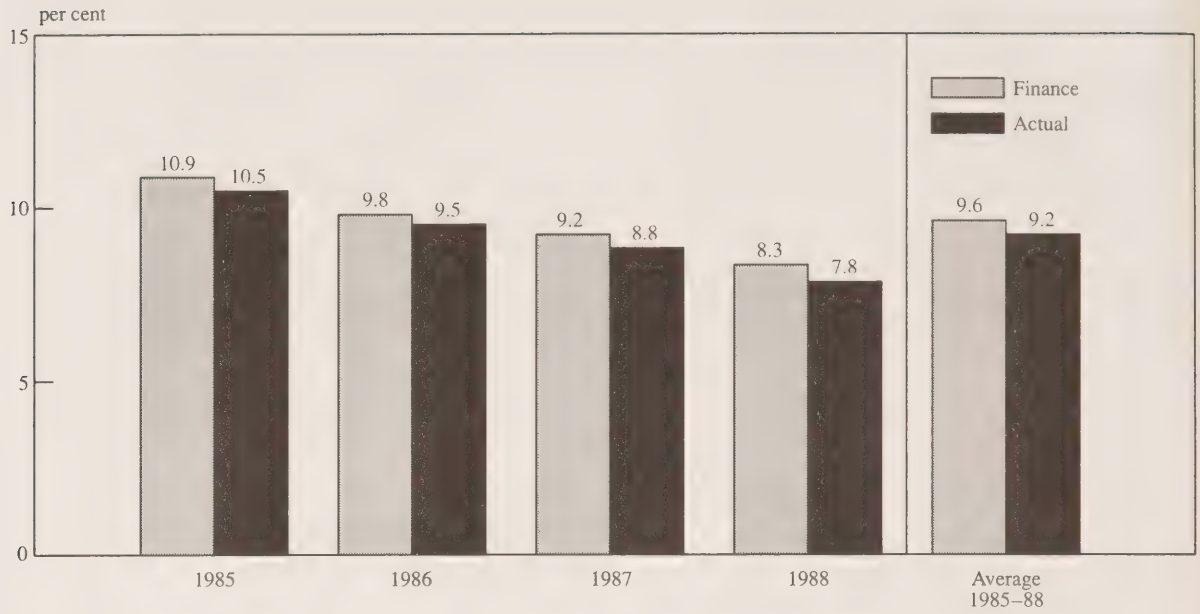
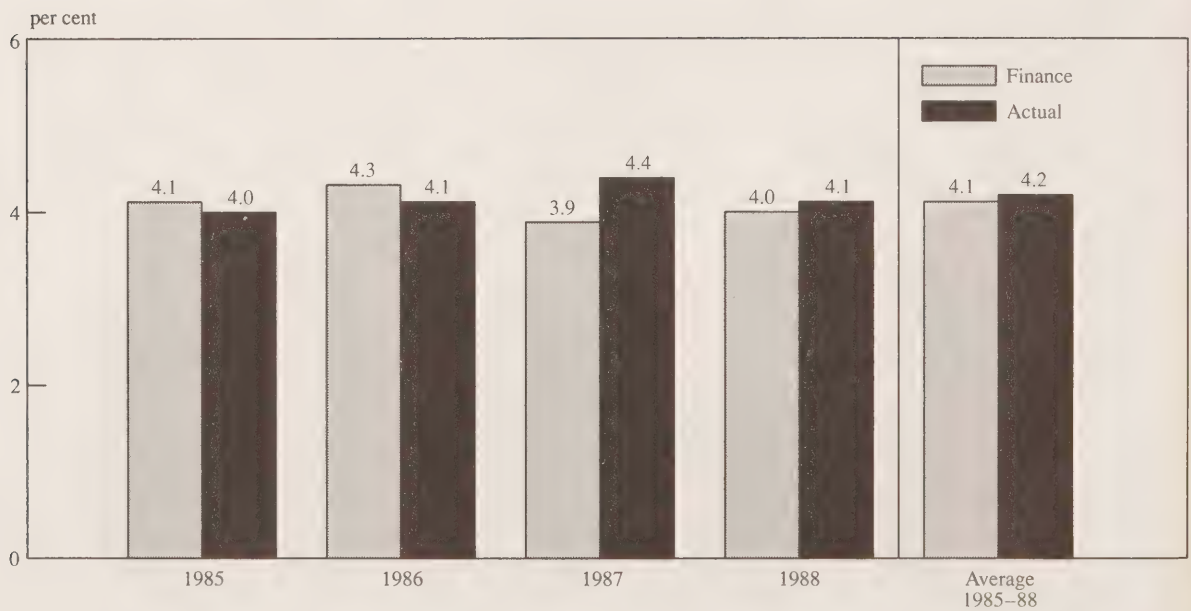


Chart 11.3

CPI Inflation Rate



i) Real Output (GDP) Growth

The Department of Finance's forecasts have *underestimated* the strength of real GDP growth by just over 1 percentage point on average over 1985 to 1988 (see Chart 11.1). The projected average annual growth rate of 3.1% per annum was well below the actual rate of 4.3%. However, the large underestimation reflects, in part, later upward revisions to official Statistics Canada data on growth. The preliminary estimates of real growth averaged 4%.

ii) Unemployment Rate

This tendency to underpredict growth has been reflected in a tendency to underestimate the strong declines in the unemployment rate (see Chart 11.2). Over the 1985 to 1988 period, Finance *overpredicted* the actual unemployment rate by 0.4 percentage points on average.

iii) CPI Inflation

On average, the Department *underestimated* the rate of inflation by less than 0.1 percentage point over the years 1985 to 1988 (see Chart 11.3). The largest forecast error was in 1987 when Finance underestimated inflation by 0.5 percentage points. Much of this forecast error can be attributed to the sharper than expected rebound in energy prices from their low 1986 levels.

iv) Interest Rates (90-day Commercial Paper)

On average over the years 1985 to 1988, Finance *underestimated* rates by less than 0.1 percentage point (see Chart 11.4). Hence, Finance's projections for interest rates were close to the mark. The largest forecast error was in 1988 when interest rates rose more than expected, as analysts generally underestimated the strength of the Canadian economy following the October 1987 stock market plunge.

Comparison with Private Sector Forecasts

The comparison above evaluates the Department's forecasts relative to the actual outcomes for the economy. It is also informative to analyze the Department's forecasting record in a relative sense, comparing it to that of other forecasters who were generally using the same set of information as Finance. In this section, the accuracy of Finance's projections is compared with the accuracy of 14 private sector forecasts available at the time the Finance forecasts were published and the private sector consensus (an average of the private sector forecasts). The information on these forecasts is from the Department's regular survey of private sector

Chart 11.4

90-Day Commercial Paper Rate

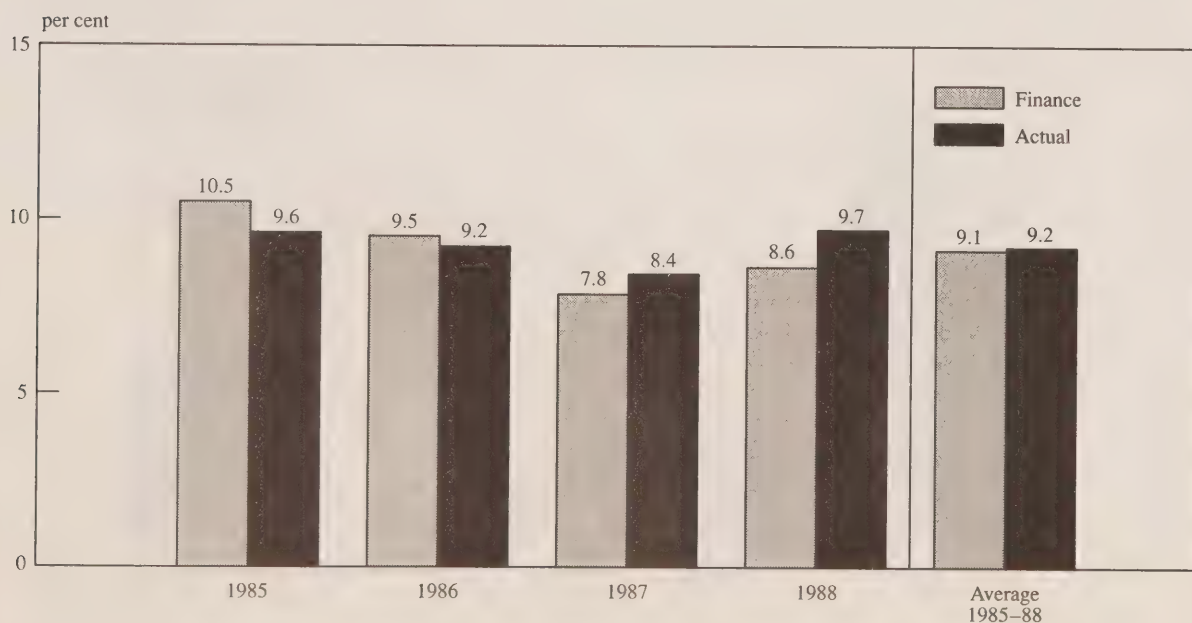


Chart 11.5

**Average Forecast Errors
1985 to 1988 Forecasts**

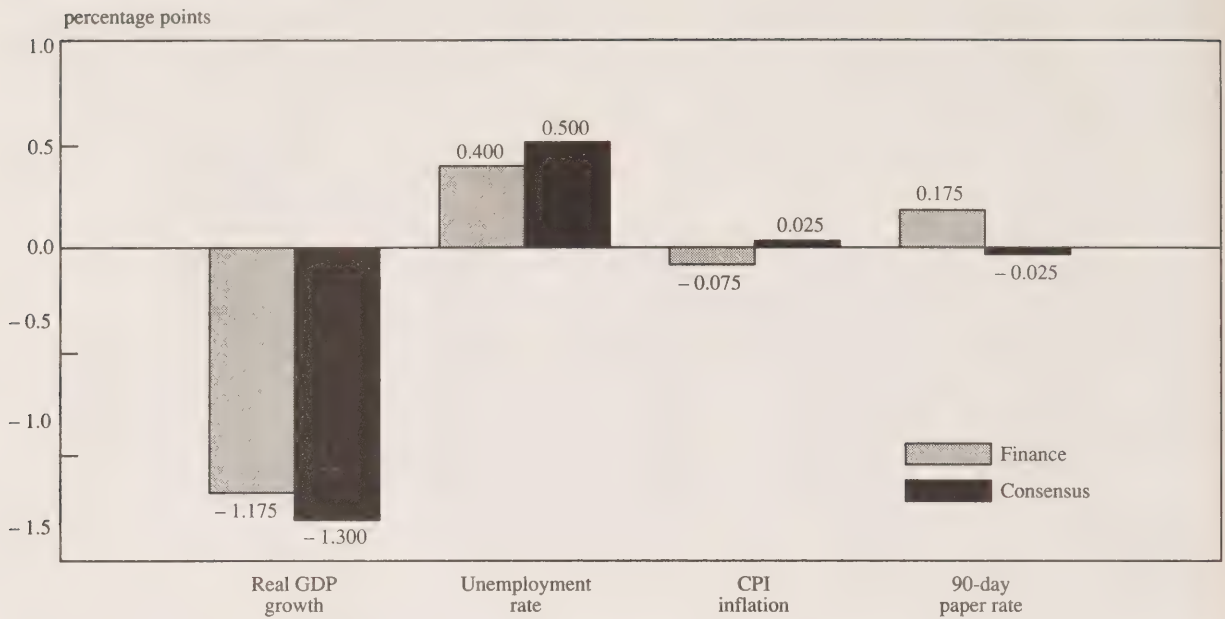
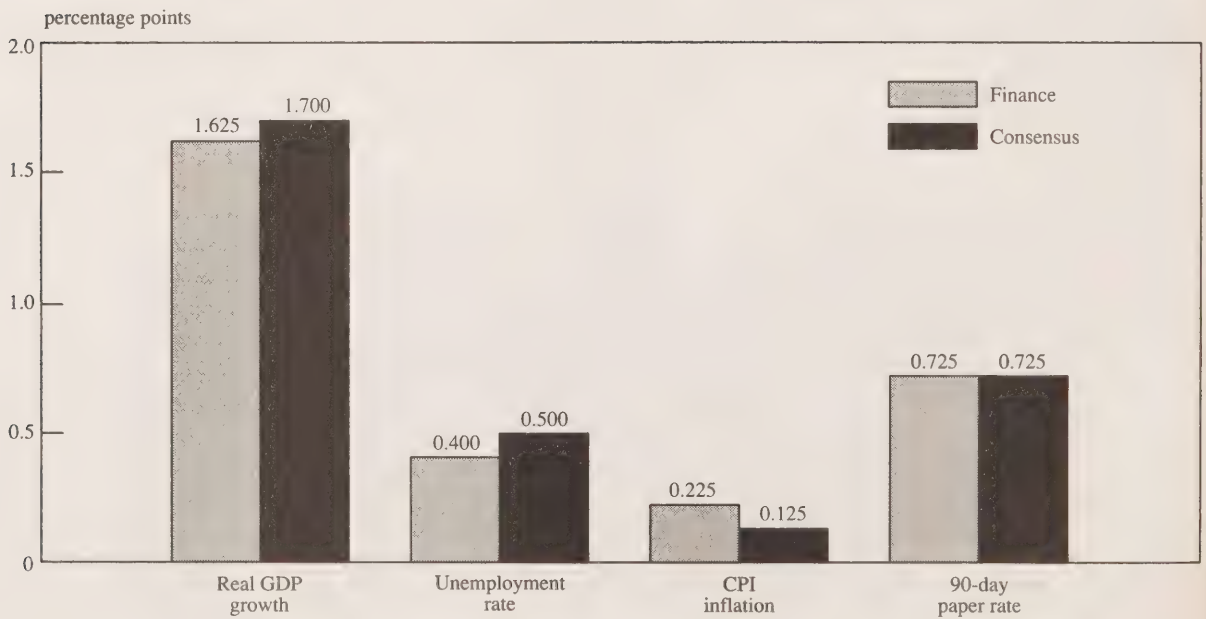


Chart 11.6

**Average Absolute Forecast Errors
1985 to 1988 Forecasts**



forecasts but similar surveys are done by private sector agencies such as the Conference Board of Canada. The rankings range from 1 to 16 with 1 being the most accurate.

There are two conventional manners in which to look at the accuracy over time of the forecasts for specific indicators. The first averages the errors for each indicator over time. In this fashion, overestimates and underestimates are offsetting. While this methodology detects whether there is a persistent tendency to err on one side, it can mask an uneven year-to-year forecasting record. A second methodology is to average the absolute values of the annual forecast errors. In this case, overestimates and underestimates are not offsetting.

Charts 11.5 and 11.6 show respectively the average and average absolute forecast errors for each of the four key indicators. As would be expected due to the fairly persistent underestimation of growth and overestimation of the unemployment rate, the two methodologies give similar pictures of the forecasting record for these two indicators. With a balance between overestimates and underestimates of inflation and the interest rate, the average errors for these indicators are extremely small for the Finance and consensus forecasts while the average absolute errors are somewhat larger but still indicate a reasonable degree of accuracy.

On either basis, Finance generally did better than other forecasters in forecasting real GDP growth and the unemployment rate and had a similar record for inflation and the interest rate. While Finance tended to underestimate the strength of the Canadian economy over the 1985 to 1988

period, other forecasters tended to be even more conservative in their estimates.

A comparison of forecast accuracy across individual variables is relatively straightforward. However, in order to rank the *overall* accuracy of forecasts for different indicators over several years, it is necessary to aggregate the errors made for each indicator.

The methodology chosen to do this has been used in similar studies conducted by other organizations.⁽¹⁾ An error index is constructed weighting the forecast error for each variable by a measure of the difficulty of forecasting that variable. The error indices for each of the four variables are averaged to get an error index for the year. The forecast with the lowest error index ranks first. An overall ranking for the 1985 to 1988 period is derived by averaging the error indices across all four variables over the four years.

The difficulty in forecasting each variable is measured by the dispersion of the forecasts for each individual variable in a given year. It is assumed that the wider the range of forecasts for a variable, the greater was the difficulty in forecasting it. On this basis, the short-term interest rate appears to be the most difficult variable to forecast, while the unemployment rate is the least difficult to forecast.⁽²⁾

In terms of overall forecasting accuracy, Finance ranks second over the 1985 to 1988 period (see Table 1). Finance's overall ranking is better than its ranking for each individual year (except 1988) reflecting the fact that Finance was consistently one of the better forecasts. The private sector consensus projection ranked fourth overall.

Table 1
Forecast Rankings Over 1985-1988

	1985	1986	1987	1988	Overall
Finance	7	8	4	2	2
Consensus (Average of private sector forecasts)	8	4	5	8	4

(1) For example, the same methodology is used by the *Financial Times* when evaluating private sector forecasts.

(2) More details on this methodology may be found in the Appendix to this report.

Chart 11.7

Forecast Accuracy for 1985
(May 1985 Budget Forecast and April 1985 Survey)

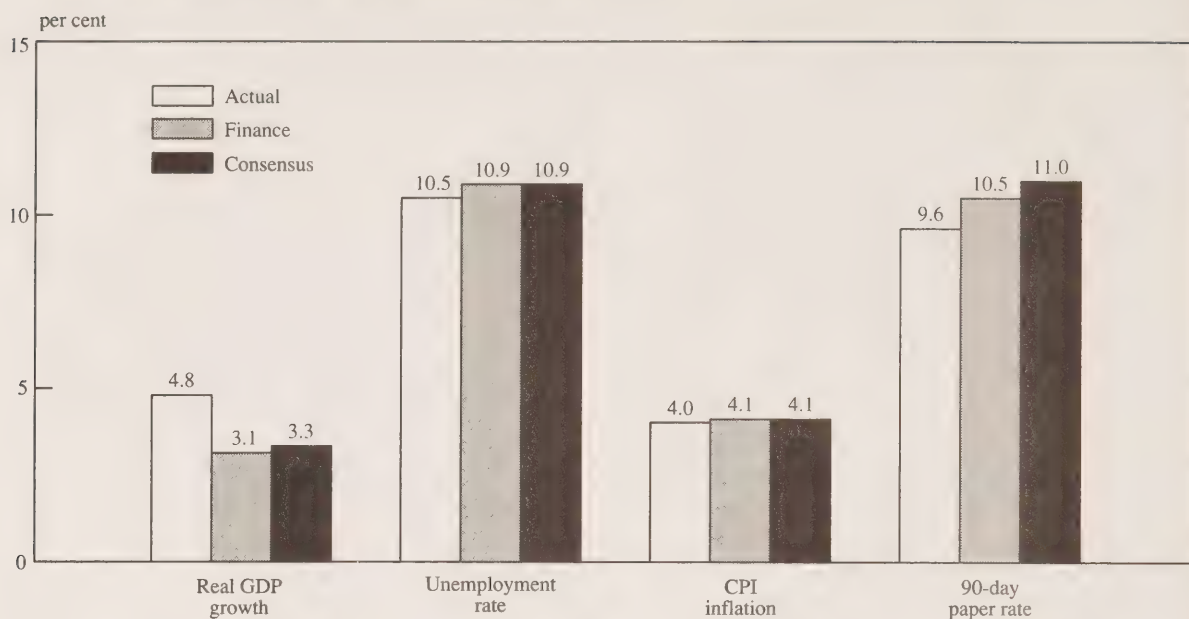
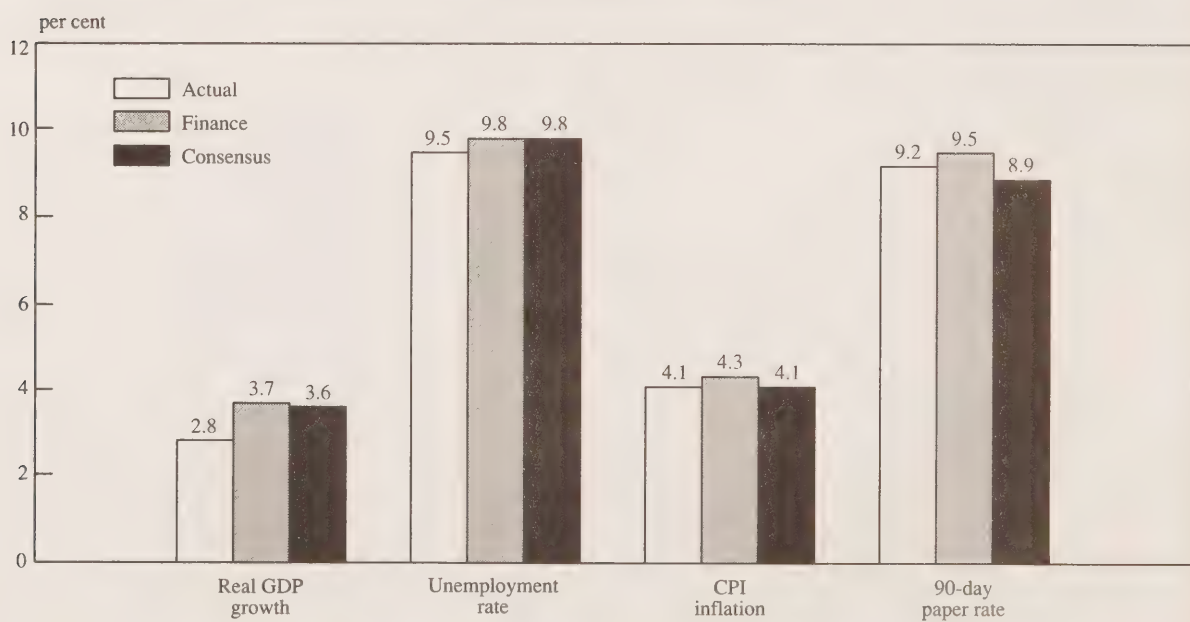


Chart 11.8

Forecast Accuracy for 1986
(February 1986 Budget Forecast and January 1986 Survey)



An Analysis of the Forecast Errors

In evaluating the Department's forecast record, it is useful to examine the forecast errors made in each year. The four macroeconomic variables discussed above are highly interrelated. Hence, errors made in forecasting one variable are likely to be reflected in forecast errors for the other variables.

i) 1985

Forecasters did not fully anticipate the sharp drop in interest rates that took place in 1985, although Finance was closer than most (see Chart 11.7). In general, forecasters underestimated real GDP growth and overestimated the unemployment rate. However, the inflation forecasts were quite accurate.

ii) 1986

The volatility in the exchange market and sharp declines in oil and grain prices made 1986 a particularly challenging year for forecasters. The energy price collapse sharply lowered investment spending in the energy sector. Real GDP growth fell to almost half its 1985 pace. Both Finance and the private sector consensus projected growth to be much stronger than actually occurred

(see Chart 11.8). Despite the tendency by forecasters to overestimate growth, the fall in the unemployment rate was underestimated.

The inflation forecasts for 1986 were very accurate, despite the unanticipated decline in oil and grain prices. Interest rates spiked in the first quarter of 1986 but then fell over the remainder of the year to their lowest levels in eight years. Finance underestimated the decline while the consensus overestimated it.

iii) 1987

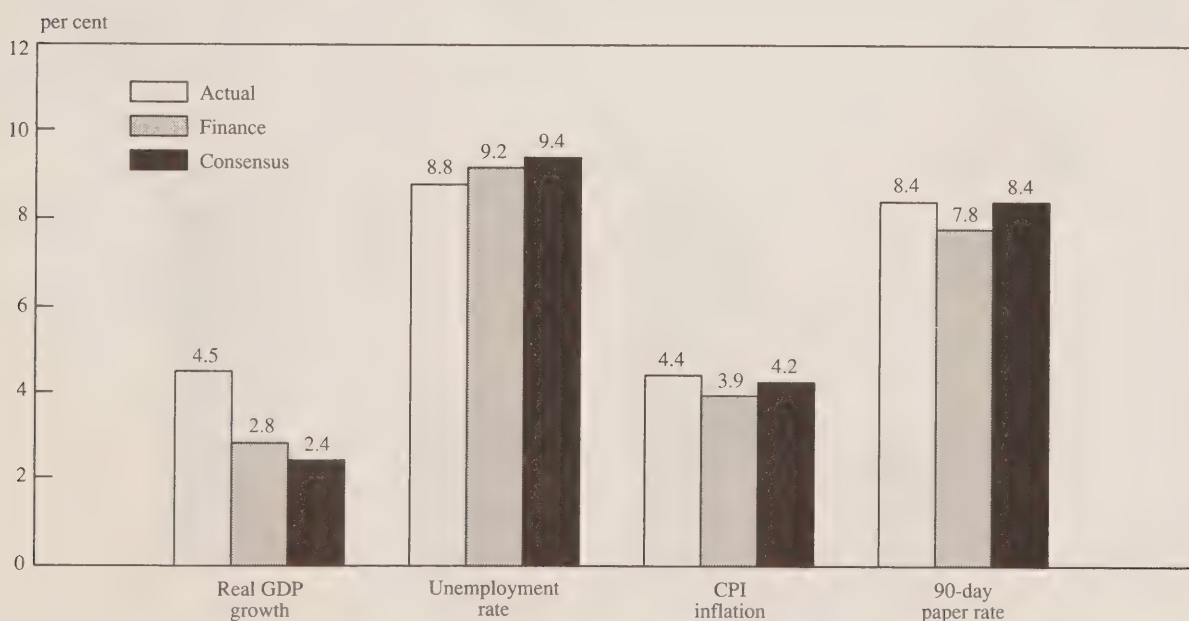
Forecasters significantly underestimated economic growth and overestimated the unemployment rate again in 1987 (see Chart 11.9). Finance made smaller forecast errors than the private sector consensus on real growth and the unemployment rate, but larger errors on inflation and interest rates.

iv) 1988

The strength of the Canadian economy in 1988 surprised forecasters, with both Finance and the private sector consensus significantly underestimating real GDP growth. Even before the plunge in stock prices in late 1987, many forecasters expected that growth would slow in 1988. The robust 1987 growth of consumer

Chart 11.9

Forecast Accuracy for 1987 (February 1987 Budget Forecast and January 1987 Survey)



spending, particularly durables, and residential investment was thought to be unsustainable. The plunge in stock prices in October 1987 was expected to further worsen growth prospects. Indeed, some thought a recession was imminent.

The 5% rate of growth recorded in 1988 was almost double the expected pace and higher than in 1987 (see Chart 11.10). The strength in real output was even more surprising given that the 1988 drought reduced real growth by 0.4 percentage points. As a result of the unexpected output growth, the unemployment rate was significantly lower than that projected by most forecasters.

Despite much stronger-than-expected real growth and the drought-induced increase in food prices, inflation forecasts were fairly accurate. Two unexpected developments offset a rise in underlying inflation pressures in 1988 – the fall in world oil prices and the sharp appreciation of the Canadian dollar. The strong real growth and increase in underlying inflation pressures in 1988 implied much higher interest rates than were generally projected. Both Finance and the private sector consensus projected that short-term interest rates would average close to 8.5% in 1988, while interest rates actually averaged 9.7%.

Finance's forecasts for all four of the key economic indicators in 1988 were more accurate than those of the private sector consensus. Overall, the Department ranked second for the year compared to eighth for the consensus.

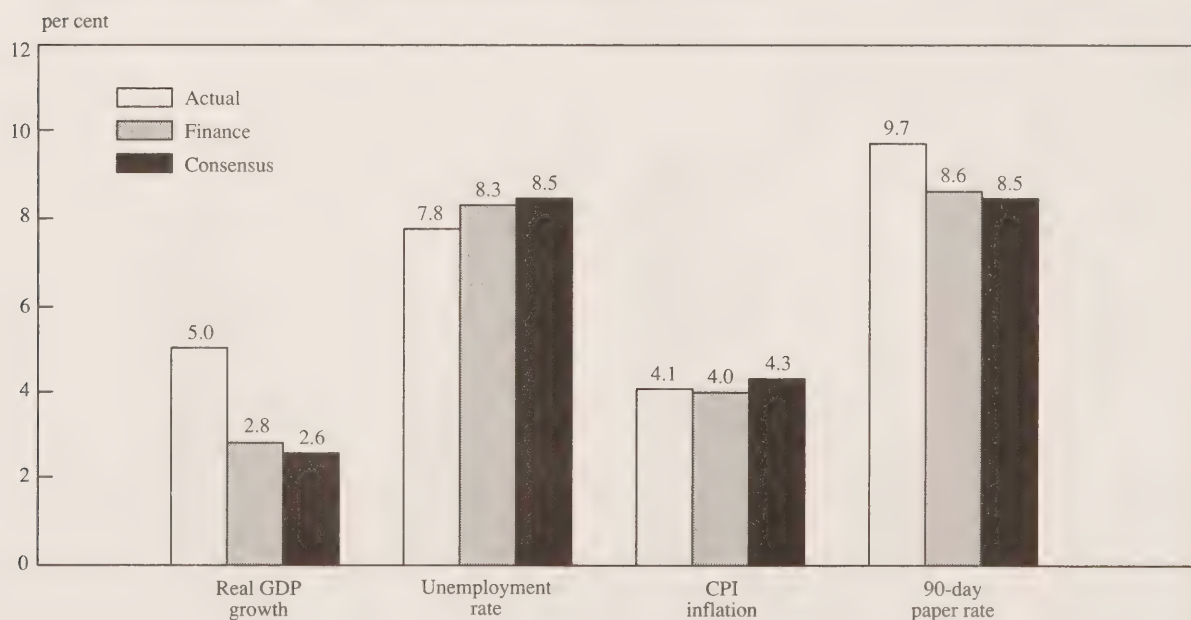
Conclusions

Projecting economic performances over the 1985 to 1988 period was particularly challenging for forecasters due to the volatility from such factors as large swings in oil prices, the plunge in the stock market in late 1987, and the 1988 drought. Over this difficult period, Finance's forecasts were among the most accurate available. Overall, Finance ranked second in a sample of 16 forecasters, slightly ahead of the consensus which ranked fourth.

The most evident forecast error on the part of Finance and the consensus was a tendency to significantly *underestimate* the strength of real growth. This was also reflected in a tendency to overestimate the unemployment rate. On average, Finance has produced fairly accurate projections for both inflation and interest rates, with underestimates in some years offsetting overestimates in other years.

Chart 11.10

Forecast Accuracy for 1988 (February 1988 Budget Forecast and January 1988 Survey)



Appendix

Methodology

When ranking the accuracy of forecasts for specific years, it is necessary to aggregate and weight the errors made on the different economic indicators. This study uses an approach that has been used by similar studies, such as those done by the Financial Times.

Following this approach, the forecast error for each variable is calculated as the difference between the variable's forecast value and the actual value as published by Statistics Canada (for GDP, inflation, and the unemployment rate) or the Bank of Canada (for the interest rate).⁽³⁾ The forecast error for each variable is divided by the standard deviation of all the forecasts for that variable to compute an *error index*. Hence, forecast errors made on variables with large variances in forecast views were scaled down relative to the errors on variables where there was relatively little variance. This approach assumes that the uncertainty shown by the range of forecast views is the appropriate measure of the difficulty in forecasting each variable.

A *composite error index* is then constructed by averaging the error indices for all four variables across the years 1984 to 1988. The forecasts are then ranked with the forecast having the lowest composite error index (the most accurate forecast) number one.

The 14 private sector forecasters surveyed include:

Bank of Montreal
Burns Fry Ltd.
Canadian Imperial Bank of Commerce
Chase Econometrics (now WEFA)
Conference Board
Data Resources Ltd.
Dominion Securities
(now Dominion Securities Pitfield)
Informetrica
McLeod, Young, Weir (now Scotia McLeod)
Midland Doherty
Nesbitt Thompson Deacon
Royal Bank
Toronto Dominion
Wood Gundy

Data

The following is a summary of the forecasts used for this study:

Survey period for private forecasts	Finance forecast	Forecast period
April 1985	May 1985 budget	1985
January 1986	February 1986 budget	1986
January 1987	February 1987 budget	1987
January 1988	February 1988 budget	1988

(3) This study used the most recent Statistics Canada data available at the time the study was completed (August 1989).

OCT 2 : 1991

